

GAP INC  
Form DEF 14A  
April 08, 2014  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
SCHEDULE 14A  
(Rule 14a-101)  
INFORMATION REQUIRED IN PROXY STATEMENT  
SCHEDULE 14A INFORMATION  
Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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|-------------------------------------|--|--------------------------|--|
| <input type="checkbox"/>            | Preliminary Proxy Statement                  | <input type="checkbox"/> | <b>Confidential, for Use of the Commission Only<br/>(as permitted by Rule 14a-6(e)(2))</b> |
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| <input type="checkbox"/>            | Definitive Additional Materials              |                          |  |
| <input type="checkbox"/>            | Soliciting Material Pursuant to § 240.14a-12 |                          |  |

**THE GAP, INC.**

(Name of Registrant as Specified in Its Certificate)

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  - (2) Form, Schedule or Registration Statement No.:
  - (3) Filing Party:
  - (4) Date Filed:

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**Notice of Annual Meeting**

**of Gap Inc. Shareholders**

**Proxy Statement**

May 20, 2014

San Francisco, California



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Proxy Materials if one was mailed to you, or similar evidence of ownership.

### **WEBCAST**

You may listen to our Annual Meeting by webcast at [www.gapinc.com](http://www.gapinc.com) (follow the Investors, Financial News and Events, Webcasts links). The webcast will be recorded and available for replay on [www.gapinc.com](http://www.gapinc.com) for at least 30 days following the Annual Meeting.

By Order of the Board of Directors,

Michelle Banks

Corporate Secretary

April 8, 2014

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**QUESTIONS AND ANSWERS ABOUT  
THE ANNUAL MEETING AND VOTING**

References in this Proxy Statement to Gap Inc., the Company, we, us, and our refer to The Gap, Inc.

**Why did I receive these materials?**

These proxy materials are being delivered in connection with the solicitation of proxies by the Board of Directors of The Gap, Inc. for use at our Annual Meeting of Shareholders to be held on May 20, 2014, at 10:00 a.m., San Francisco Time, at Gap Inc. Headquarters, Two Folsom Street, San Francisco, California, 94105 and at any adjournment or postponement thereof (the Annual Meeting).

On or about April 8, 2014, we commenced distribution of this proxy statement and the form of proxy to our shareholders entitled to vote at the Annual Meeting.

**Who are the proxyholders and how were they selected?**

The proxyholders were selected by our Board of Directors and are officers of the Company. The proxyholders will vote all proxies, or record an abstention, in accordance with the directions on the proxy. If no contrary direction is given, the shares will be voted as recommended by our Board of Directors.

**How much did this proxy solicitation cost and who pays for it?**

The Company will pay all expenses in connection with the solicitation of the proxies relating to this Proxy Statement, including the charges of brokerage houses and other custodians, nominees or fiduciaries for forwarding documents to security owners. In addition to solicitation by mail, certain of our officers, directors and employees (who will receive no extra compensation for their services) may solicit proxies by email, by telephone, by fax or in person. We have also retained the services of AST Phoenix Advisors to solicit the proxies of certain shareholders for the Annual Meeting and provide other consultation services. The cost of AST Phoenix Advisors' services is estimated to be \$8,000, plus reimbursement of out-of-pocket expenses.

**How can I electronically access the proxy materials?**

We are using the Internet as our primary means of furnishing our proxy materials to most of our shareholders. Rather than sending those shareholders a paper copy of our proxy materials, we are sending a Notice of Internet Availability of Proxy Materials. That Notice contains instructions for accessing the materials and voting via the Internet. The Notice also contains information on how to request a paper copy of the proxy materials by mail. We believe this method of distribution makes the proxy distribution process more efficient, less costly and limits our impact on the environment. This Proxy Statement and our 2013 Annual Report to Shareholders are available at: [www.gapinc.com](http://www.gapinc.com) (follow the Investors, Financial Information, Annual Reports & Proxy links).

**Can I receive proxy materials for future annual meetings by email rather than receiving a paper copy of the Notice?**

If you are a Shareholder of Record or a Beneficial Owner, you may elect to receive the Notice or other future proxy materials by email by logging into [www.proxyvote.com](http://www.proxyvote.com). If you are a Beneficial Owner, you can also contact your broker directly to opt for email delivery of proxy materials. If you

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choose to receive proxy materials by email, next year you will receive an email with instructions on how to view those materials and vote before the next annual meeting. Your choice to obtain documents by email will remain in effect until you notify us otherwise. Delivering future notices by email will help us further reduce the cost and environmental impact of our shareholder meetings.

### **What is householding ?**

Under SEC rules, a single package of Notices may be sent to any household at which two or more shareholders reside if they appear to be members of the same family, unless contrary instructions have been received. Each shareholder continues to receive a separate Notice within the package. This procedure, referred to as householding, reduces the volume of duplicate materials shareholders receive and reduces mailing expenses. Shareholders may revoke their consent to future householding mailings or enroll in householding by contacting Broadridge toll free at 1-800-542-1061, or by writing to Broadridge, Household Department, 51 Mercedes Way, Edgewood, NY 11717. Shareholders who wish to receive a separate set of proxy materials should contact Broadridge at the same phone number or mailing address.

### **What items will be voted on at the Annual Meeting?**

At the Annual Meeting, the following items are on the agenda:

- i The election of the directors nominated by the Board of Directors;
  
- j The ratification of the selection of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the fiscal year ending January 31, 2015; and
  
- k The approval of the overall compensation of the Company's named executive officers.

### **How will any other items be voted upon at the Annual Meeting?**

If any other matter not mentioned in this Proxy Statement is properly brought before the meeting, including without limitation (i) matters about which the proponent failed to notify us on or before February 20, 2014, (ii) shareholder proposals omitted from this Proxy Statement and the form of proxy pursuant to the proxy rules of the SEC, and (iii) matters incidental to the conduct of the meeting, the proxyholders will vote upon such matters in accordance with their best judgment pursuant to the discretionary authority granted by the proxy. As of the date of the printing of this Proxy Statement, our management is not aware, nor has it been notified, of any other matters that may be presented for consideration at the meeting.

### **How do I vote my shares?**

You may vote your shares (i) by Internet at [www.proxyvote.com](http://www.proxyvote.com), (ii) by signing and returning a proxy card (for shareholders of record) or voting instruction card (for beneficial owners of shares), (iii) by phone at 1-800-690-6903 or (iv) in person at the meeting. If you vote by Internet or by phone, you do not need to return a proxy card or voting instruction card, but you will need to have it, or the Notice of Internet Availability, in hand when you access the voting website or call to vote by phone. Specific voting instructions are found on the proxy card, voting instruction card, or the Notice of Internet Availability of Proxy Materials.

### **What are the voting recommendations of the Board of Directors?**

The Board of Directors recommends that you vote your shares **FOR** the election of the directors nominated by the Board of Directors, **FOR** the ratification of the selection of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending January 31, 2015, and **FOR** the approval of the overall compensation of the Company's named executive officers.



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### **Who may vote at the Annual Meeting?**

The holders of common stock at the close of business on March 24, 2014 (the Record Date ) are entitled to one vote per share on each matter voted upon at the Annual Meeting or any adjournment or postponement thereof. As of the Record Date, there were 446,816,143 shares of common stock outstanding.

### **What is the difference between a shareholder of record and a beneficial owner of shares?**

#### ***Shareholder Of Record***

If your shares are registered directly in your name with the Company's transfer agent, Wells Fargo Bank, N.A. ( Wells Fargo ), you are considered the shareholder of record with respect to those shares.

#### ***Beneficial Owner***

If your shares are held in an account at a brokerage firm, bank, broker-dealer, or other similar organization, then you are the beneficial owner of shares held in street name. The organization holding your account is considered the shareholder of record for purposes of voting at the Annual Meeting. As a beneficial owner, you have the right to instruct that organization on how to vote the shares held in your account. Please note that the organization is not allowed to vote your shares on certain matters without your instructions, so it is important for you to provide direction to the organization on how to vote.

### **May I attend the Annual Meeting?**

All shareholders as of the close of business on the Record Date, or holders of a valid proxy for the Annual Meeting, are entitled to attend the Annual Meeting. Shareholders who plan to attend the Annual Meeting must present valid photo identification. In addition, if you are not a shareholder of record but hold shares through a broker, bank, trustee, nominee, or other similar organization (i.e., in street name), you must provide proof of beneficial ownership as of the Record Date. Proof of beneficial ownership can take the form of your most recent account statement prior to the Record Date, a copy of the voting instruction form provided by your broker, bank, trustee, nominee, or other similar organization, a copy of the Notice of Internet Availability of Proxy Materials, if one was mailed to you, or similar evidence of ownership. The Company reserves the right to deny admittance to anyone who cannot adequately show proof of share ownership as of the Record Date.

### **How can I listen to the live webcast of the meeting?**

We are offering an audio webcast of the Annual Meeting at [www.gapinc.com](http://www.gapinc.com). If you choose to listen to the webcast, go to our website at [www.gapinc.com](http://www.gapinc.com) (follow the Investors, Financial News and Events, Webcasts links) shortly before the start of the meeting and follow the instructions provided. Please note that this webcast will be listen only. If you would like to vote, ask questions, or otherwise interact with the meeting participants, you will need to attend the meeting in person. The webcast will be recorded and available for replay on [www.gapinc.com](http://www.gapinc.com) for at least 30 days following the Annual Meeting.

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### **Are votes confidential? Who counts the votes?**

Proxy instructions, ballots and voting tabulations that identify individual shareholders are handled in a manner that protects the voting privacy of our shareholders. Your vote will not be disclosed to anyone, except:

i As required to tabulate and certify the vote;

i As required by law; and/or

i If you provide written comments on your proxy card (the proxy card and comments would then be forwarded to us for review). We retain an independent tabulator and inspector of election to receive and tabulate the proxies and to certify the voting results.

### **What happens if I do not give specific voting instructions?**

#### ***Shareholder Of Record***

If you are a shareholder of record and you sign, date and return a proxy card but do not specify how to vote, your shares will be voted in accordance with the recommendations of the Board of Directors on all matters presented in this proxy statement and as the proxy holders may determine in their discretion regarding any other matters properly presented for a vote at the Annual Meeting or any adjournments or postponements thereof.

#### ***Beneficial Owner***

If you are a beneficial owner and hold your shares through a broker, bank, or other similar organization, and you do not provide the broker or other nominee that holds your shares with voting instructions, the broker or other nominee will determine if it has the discretionary authority to vote on a particular matter. Brokers and other nominees have the discretion to vote on routine matters such as Proposal 2 (ratification of independent registered public accounting firm), but do not have the discretion to vote on non-routine matters such as Proposal 1 (election of directors) and Proposal 3 (advisory vote on executive compensation). Therefore, your shares will not be voted on non-routine matters without your voting instructions.

### **What constitutes a quorum for the Annual Meeting?**

The holders of a majority of the outstanding shares of our common stock, present in person or by proxy, will constitute a quorum for the transaction of business at the Annual Meeting. The independent inspector(s) of election appointed for the Annual Meeting will determine whether or not a quorum is present and will tabulate votes cast by proxy or in person at the Annual Meeting.

Abstentions are included in the determination of shares present for quorum purposes. Because abstentions represent shares entitled to vote, the effect of an abstention will be the same as a vote against a proposal. However, abstentions will have no effect on the election of directors.

### **What are broker non-votes and how are they counted?**

Broker non-votes occur when nominees, such as brokers and banks holding shares on behalf of the beneficial owners, are prohibited from exercising discretionary voting authority for beneficial owners who have not provided voting instructions. Brokers and other nominees may vote without

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instruction only on routine proposals. On non-routine proposals, nominees cannot vote without instructions from the beneficial owner, resulting in so-called broker non-votes. The proposal to ratify Deloitte & Touche LLP as the Company's independent registered public accounting firm is the only routine proposal on the agenda for our Annual Meeting. The other two proposals on the agenda are non-routine. If you hold your shares with a broker or other nominee, they will not be voted on non-routine proposals unless you give voting instructions. So long as the broker has discretion to vote on at least one proposal, broker non-votes are counted in determining a quorum but are not counted for purposes of determining the number of shares present in person or represented by proxy on a voting matter.

## **What vote is required to approve each proposal?**

### ***Election Of Directors***

Election of directors by shareholders will be determined by a majority of the votes cast with respect to each director, in person or by proxy, at the Annual Meeting. Pursuant to the Company's Bylaws, a majority of the votes cast means that the number of shares voted for a director must exceed the number of votes cast against that director. Votes cast shall include votes for and against a nominee, and exclude abstentions and broker non-votes with respect to that nominee's election. Under our Corporate Governance Guidelines, at any meeting of shareholders where nominees are subject to an uncontested election (the number of nominees is equal to the number of seats), any nominee for director who receives a greater number of votes against his or her election than votes for such election, shall submit to the Corporate Secretary of the Company a letter offering his or her resignation, subject to the Board of Directors' acceptance. The Governance and Nominating Committee will consider the offer of resignation and will recommend to the Board the action to be taken. The Board of Directors will act promptly with respect to each such letter of resignation and will promptly notify the director concerned of its decision. The Board of Directors' decision will be disclosed publicly.

### ***Other Proposals***

The other two matters on the agenda for shareholder approval at the Annual Meeting will be decided by the affirmative vote of a majority of the shares present, in person or by proxy, at the Annual Meeting and entitled to vote on the subject matter. Please note that both of these other proposals are advisory only and will not be binding on the Company, the Board or any committee of the Board. The results of the votes on these proposals will be taken into consideration by the Company, the Board or the appropriate committee of the Board, as applicable, when making future decisions regarding these matters.

## **May I change my vote?**

You may revoke your proxy at any time before its exercise by writing to our Corporate Secretary at our principal executive offices as follows:

Corporate Secretary

Gap Inc.

Two Folsom Street

San Francisco, California 94105

You may also revoke your proxy by timely delivery of a properly executed, later-dated proxy (including a telephone or Internet vote) or by voting in person at the Annual Meeting.

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**When are shareholder proposals for the 2015 Annual Meeting due?**

If a shareholder would like us to consider including a proposal in our Proxy Statement and form of proxy for our Annual Meeting in 2015, the Company's Corporate Secretary must receive it no later than December 9, 2014. Proposals must be addressed to our Corporate Secretary at Gap Inc., Two Folsom Street, San Francisco, California 94105.

Our Amended and Restated Bylaws provide that in order for a shareholder to bring business before our Annual Meeting in 2015 (other than a proposal submitted for inclusion in the Company's proxy materials), the shareholder must give written notice to our Corporate Secretary by no later than the close of business (San Francisco Time) on February 19, 2015, and no earlier than January 20, 2015 (i.e., not less than 90 days nor more than 120 days prior to the first anniversary of the date of our 2014 Annual Meeting). The notice must contain information required by our Bylaws, including a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the Annual Meeting, the name and address of the shareholder proposing the business, the number of shares of the Company's stock beneficially owned by the shareholder, any material interest of the shareholder in the business proposed, any interests held by the shareholder in derivative securities of the Company or arrangements with persons holding derivative securities of the Company, and other information required to be provided by the shareholder pursuant to the proxy rules of the SEC. If a shareholder fails to submit the notice by February 19, 2015, then the proposed business would not be considered at our Annual Meeting in 2015 due to the shareholder's failure to comply with our Bylaws. Additionally, in accordance with Rule 14a-4(c)(1) of the Securities Exchange Act of 1934, as amended, management proxyholders intend to use their discretionary voting authority with respect to any shareholder proposal raised at our Annual Meeting in 2015 as to which the proponent fails to notify us on or before February 19, 2015. Notifications must be addressed to our Corporate Secretary at Gap Inc., Two Folsom Street, San Francisco, California 94105. A copy of the full text of the Bylaw provisions relating to our advance notice procedure may be obtained by writing to our Corporate Secretary at that address or at [www.gapinc.com](http://www.gapinc.com) (follow the Investors, Governance links).

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**PROPOSALS REQUIRING YOUR VOTE**

**PROPOSAL NO. 1 Election of Directors**

**NOMINEES FOR ELECTION AS DIRECTORS**

**Election Process**

Directors will be elected at the Annual Meeting to serve until the next Annual Meeting and until their successors are elected. The Governance and Nominating Committee of the Board of Directors has nominated the persons whose names are set forth below, all of whom are current directors. In the absence of instructions to the contrary, shares represented by the proxy will be voted for the election of all of these nominees to the Board of Directors.

**Director Nominations**

The Board of Directors has no reason to believe that any of the nominees will be unable to serve. However, if any nominee should for any reason be unavailable to serve, the Board of Directors may reduce the number of directors fixed in accordance with our Bylaws, or the proxies may be voted for the election of such other person to the office of director as the Board of Directors may recommend in place of the nominee. Set forth below is certain information concerning the nominees, including age, experience, qualifications and principal occupation during at least the last five years, based on data furnished by each nominee.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION  
OF EACH OF THE FOLLOWING NOMINEES.**

**Domenico De Sole**, age 70.

Director since 2004.

Chairman of Tom Ford International, a luxury retailer, since 2005. President and Chief Executive Officer of Gucci Group NV, 1995-2004. Director of Newell Rubbermaid Inc. and Lead Independent Director of Sotheby's. Former director of The Procter & Gamble Company, 2001-2005, Delta Air Lines, Inc., 2005-2007, and Telecom Italia, 2004-2008.

As the former chief executive officer of a retailer and the current chairman of a retailer, Mr. De Sole has many years of global experience as a senior executive in the retail industry. In addition, as a former director of The Procter & Gamble Company and as a director of Newell Rubbermaid Inc., he has insight into the global consumer goods market.

**Robert J. Fisher**, age 59.

Director since 1990.

Managing Director, Pisces, Inc., an investment group, since 2010. Interim President and Chief Executive Officer of Gap Inc., January 2007-August 2007. Non-executive Chairman of Gap Inc., 2004-August 2007. Executive of Gap Inc., 1992-1999. Various positions with Gap Inc., 1980-1992. Former director of Sun Microsystems, Inc., 1995-2006.

Mr. Fisher has extensive retail experience, including experience specific to Gap Inc. as a result of his many years serving in a variety of high-level Gap Inc. positions, including Chief Operating Officer, President of Gap Division, Chairman of the Board, and Interim President and Chief Executive Officer.

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**William S. Fisher**, age 56.

Director since 2009.

Founder and Chief Executive Officer of Manzanita Capital Limited, a private equity fund, since 2001. Various positions with Gap Inc., 1986-1998.

Mr. Fisher brings extensive global retail experience to the Board as a result of his years serving in a variety of high-level Gap Inc. positions, including President of the International Division, as well as his service on the boards of a number of private retail companies, including Space NK and Diptyque.

**Isabella D. Goren**, age 53.

Director since 2011.

Chief Financial Officer of AMR Corporation and American Airlines, Inc., 2010-2013. AMR Corporation and American Airlines, Inc. successfully completed a reorganization under Chapter 11 in December 2013, for which a voluntary petition was filed in November 2011. Senior Vice President of Customer Relationship Marketing of American Airlines, 2006-2010. Various positions with AMR Corporation and American Airlines, Inc., 1986-2006, including President of AMR Services, previously a subsidiary of AMR, 1996-1998. Director of LyondellBasell Industries N.V.

Ms. Goren has broad experience in a number of key corporate functions, including finance, human resources, international operations and marketing. She brings extensive expertise in leadership, management of complex operations, building of customer loyalty programs, financial functions and global strategies.

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**Bob L. Martin**, age 65.

Director since 2002.

Lead Independent Director since 2003. Operating Partner of Stephens Group, Inc., a private equity group. Chief Executive Officer (part-time) of Mcon Management Services, Ltd., a consulting company, since 2002. Independent Consultant, 1999-2002. President and Chief Executive Officer of Wal-Mart International, a division of Wal-Mart Stores, Inc., 1984-1999. Director of Conn's Inc. Former director of Dillard's, Inc., 2003-2004, Edgewater Technology, Inc., 1999-2005, Furniture Brands International, Inc., 2003-2010, Guitar Center, 2004-2007, Sabre Holdings Corporation, 1997-2007, and SolarWinds, Inc., 2009-2010.

Mr. Martin has over 35 years of work experience in the retail industry. As the former chief executive officer of Wal-Mart International, during which he ran operations in 12 countries across four continents, Mr. Martin acquired extensive global governance experience. As the former executive vice president and chief information officer for Wal-Mart Stores, Inc., Mr. Martin has extensive insight into the areas of IT and supply chain capabilities and strategies for a retail company.

**Jorge P. Montoya**, age 67.

Director since 2004.

President, Global Snacks & Beverages, and President, Latin America, of The Procter & Gamble Company, a consumer products company, 1999-2004. Director of The Kroger Co. Former director of Rohm & Haas Company, 1996-2007.

Mr. Montoya spent over 30 years working for The Procter & Gamble Company, during which time he acquired extensive experience in management, international growth, consumer products, and marketing.



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**Glenn K. Murphy**, age 52.

Director since 2007.

Chairman and Chief Executive Officer of Gap Inc. since August 2007. Chairman and Chief Executive Officer of Shoppers Drug Mart, a drugstore chain, 2001-2007.

As a result of his service as Gap Inc.'s Chairman and Chief Executive Officer, as well as his service in senior (including chief executive officer) positions at other large retail companies, Mr. Murphy has extensive management and leadership experience and a deep knowledge of the complex financial and operational issues facing retail companies.

**Mayo A. Shattuck III**, age 59.

Director since 2002.

Chairman of Exelon Corporation, an energy company, since 2012. Chairman of Constellation Energy Group, 2002-2012. President and Chief Executive Officer of Constellation Energy Group, 2001-2012. Director of Capital One Financial Corporation.

Mr. Shattuck's experience on the board of directors of two other public companies, along with his experience as the former chief executive officer of an investment bank and Constellation Energy Group, and his current position as Executive Chairman of Exelon Corporation, provides him with extensive knowledge of a number of important areas, including leadership, finance, risk assessment, compliance and governance.

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**Katherine Tsang**, age 56.

Director since 2010.

Chairperson of Greater China Standard Chartered Bank since 2009. Chairperson of Standard Chartered Bank (Taiwan) since 2009. Chairperson of Standard Chartered Bank (Hong Kong) since January 2011. Chief Executive Officer, Standard Chartered Bank (China) from 2005 to 2009. Former director of Baoshan Iron & Steel Co. Limited, 2006-2012.

Ms. Tsang possess over two decades of work experience in the global banking industry. As a senior executive at an international bank, Ms. Tsang possesses extensive financial expertise. In addition, she has held global and regional roles in human resources spanning fifty-six countries. Ms. Tsang brings significant experience in management and international growth to the Board. In addition to her former position as an independent non-executive director of Baoshan Iron & Steel Co. Limited in China, Ms. Tsang has also served on the boards of three Standard Chartered Bank subsidiaries.

**Padmasree Warrior**, age 53

Director since 2013.

Chief Technology and Strategy Officer of Cisco System since 2012. Chief Technology Officer and Senior Vice President of Engineering at Cisco Systems from 2010 to 2012. Chief Technology Officer at Cisco Systems from 2008 to 2010.

Ms. Warrior has extensive experience as a business leader within the technology industry. As a senior executive for a global technology company, Ms. Warrior is responsible for worldwide business and technology strategy, mergers and acquisitions, equity investments, and innovation, and is charged with aligning technology development and corporate strategy. Ms. Warrior brings significant experience in driving technology and operational innovation across a global company, and in forging growth through strategic partnerships and new business models.

Robert J. Fisher and William S. Fisher are brothers. Information concerning our executive officers who are not also directors is set forth in our Annual Report on Form 10-K for the fiscal year ended February 1, 2014.

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We have adopted Corporate Governance Guidelines that outline, among other matters, the role and functions of the Board, the responsibilities of the various Board committees, and the procedures for reporting concerns to the Board. Our Corporate Governance Guidelines are available at [www.gapinc.com](http://www.gapinc.com) (follow the Investors, Governance, Guidelines links).

**HIGHLIGHTS**

10 of 11 directors are independent

Lead Independent Director

Individual director evaluations

Director stock ownership guidelines

**Code of Business Conduct**

Our Code of Business Conduct is designed to promote a responsible and ethical work environment for all Gap Inc. employees and directors. The Code contains guidelines on conflicts of interest, legal compliance, Company information and assets, and political contributions and activities. Our Code of Business Conduct is available at [www.gapinc.com](http://www.gapinc.com) (follow the Investors, Corporate Compliance, Code of Business Conduct links).

**Director Independence**

The Board of Directors has determined that the following directors are independent under the New York Stock Exchange ( NYSE ) rules and have no direct or indirect material relationships with the Company:

Adrian D. P. Bellamy (not standing for reelection)  
Domenico De Sole  
Robert J. Fisher  
William S. Fisher  
Isabella D. Goren

Bob L. Martin  
Jorge P. Montoya  
Mayo A. Shattuck III  
Katherine Tsang  
Padmasree Warrior

In particular, the Board has determined that none of these directors have relationships that would cause them not to be independent under the specific criteria of Section 303A.02 of the NYSE Listed Company Manual. In making this determination with respect to Robert and William Fisher, the Board considered the following factors: (i) with the exception of Robert Fisher's brief period of service during 2007 as Interim President and Chief Executive Officer ( CEO ) of the Company during a CEO transition, neither Robert nor William Fisher has served as an officer of the Company in over 14 years; (ii) Donald Fisher (a founder of the Company and their father) ceased being an executive officer of the Company prior to his passing in September 2009; (iii) NYSE guidance indicates that ownership of even a significant amount of stock does not preclude a finding of independence; and (iv) the lease agreements with Doris Fisher (a founder of the Company and their mother) for the display of her personal art collection (further described on page 59) provide benefits to the Company, and no financial benefit to Robert or William Fisher. After consideration of these factors, the Board concluded that there is no material relationship between the Company and Robert and William Fisher that would impact their independence under NYSE rules.

**Board Leadership Structure**

We believe that having Glenn Murphy act as both Chairman of the Board and CEO is most appropriate for the Company at this time because it provides the Company with consistent and efficient leadership, both with respect to the Company's operations and the leadership of the Board. In particular, having Mr. Murphy act in both of these roles increases the timeliness and effectiveness of the Board's deliberations, increases the

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Board's visibility into the day-to-day operations of the Company, and ensures the consistent implementation of the Company's strategies.

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We also believe in the importance of independent oversight. We ensure that this oversight is truly independent and effective through a variety of means, including:

Our Corporate Governance Guidelines provide that at least two-thirds of our directors should be independent. Currently, all of our directors other than Mr. Murphy are independent.

One of our independent directors acts as our Lead Independent Director. The Lead Independent Director presides at all meetings of the Board at which the Chairman is not present, including each independent director session of the Board. The Lead Independent Director has the authority to call meetings of the independent directors. He or she also serves as a liaison between the Chairman and the independent directors, approves certain information sent to the Board, and provides input on and approves meeting schedules and agendas. The Lead Independent Director is appointed by the independent directors annually. Bob L. Martin currently serves as our Lead Independent Director.

At each regularly scheduled Board meeting, all independent directors are typically scheduled to meet in an executive session without the presence of any management directors.

The charters for each of our standing committees of the Board (Audit and Finance, Compensation and Management Development, and Governance and Nominating) require that all of the members of those committees be independent.

We believe that the combined role of Chairman and CEO, together with the significant responsibilities of our Lead Independent Director and other independent directors described above, provides an appropriate balance between leadership and independent oversight.

## **Risk Oversight**

### ***Board Oversight of Risk***

The Board has an active role in overseeing the management of the Company's risks. Annually, the Company's Internal Audit department performs a comprehensive enterprise risk assessment encompassing a number of significant areas of risk, including strategic, operational, compliance, financial, and reputational risks. The assessment process is designed to gather data regarding the most important risks that could impact the Company's ability to achieve its objectives and execute its strategies. Primary assessment methods include interviews with key executives and Board members, review of critical Company strategies and initiatives, and monitoring of emerging industry trends and issues. The assessment is reviewed by the Company's CEO, Chief Financial Officer ( CFO ), and Chief Compliance Officer and presented to the Board to facilitate discussion of high risk areas. It provides the foundation for the annual Internal Audit plan, management's monitoring and risk mitigation efforts, and ongoing Board oversight. In addition, on a regular basis, management communicates with the Board, both formally and informally, about key initiatives, strategies and industry developments, in part to assess and manage the potential risks.

While the Board of Directors has the ultimate oversight responsibility for the risk management process, various committees of the Board also have responsibility for risk management. In particular, the Audit and Finance Committee focuses on financial and compliance risks, and the Compensation and Management Development Committee sets employee incentives with the goal of encouraging an appropriate level of risk-taking, consistent with the Company's business strategies.

### ***Compensation Risk Assessment***

On an annual basis, management conducts a comprehensive overall review of each of the Company's compensation policies and practices for the purpose of determining whether any of those policies and practices are reasonably likely to have a material adverse effect on the Company. As a part of

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this review, each of the Company's compensation policies and practices were compared to a number of specific factors that could potentially increase risk, including the specific factors that the SEC has identified as potentially triggering disclosure. The Company balanced these factors against a variety of mitigating factors. Examples of some of the mitigating factors are (i) compensation policies and practices are structured similarly across business units; (ii) the risk of declines in performance in our largest business units is well understood and managed; (iii) incentive compensation expense is not a significant percentage of any significant unit's revenues; (iv) for executives, a significant portion of variable pay is delivered through long-term incentives which carry vesting schedules over multiple years; (v) a mix of compensation vehicles and performance measures is used; (vi) stock ownership requirements for executives are in place; (vii) significant incentive plans are capped at all levels; (viii) threshold levels of performance must be achieved for the bulk of variable pay opportunities; and (ix) a clawback policy with respect to financial restatements is in place. Management's assessment was also presented to the Company's Chief Compliance Officer and the Chair of the Board's Compensation and Management Development Committee. As a result of management's review, the Company determined that its compensation policies and practices are not reasonably likely to have a material adverse effect on the Company.

**Board Meetings**

The Board of Directors has three standing committees: the Governance and Nominating Committee; the Audit and Finance Committee; and the Compensation and Management Development Committee, each described below. Each director nominee attended at least 75% of the meetings of the Board and committees on which he or she served. In addition, individual Board members often work together and with management outside of formal meetings.

The independent directors are typically scheduled to meet without the presence of management during each regularly scheduled Board meeting. Our Lead Independent Director, Mr. Martin, is responsible for organizing, managing and presiding over the independent director sessions of the Board, and reporting on outcomes of the sessions to the Chairman and CEO, as appropriate.

The Board met seven times during fiscal 2013. The following table lists the current members of each of the committees and the number of committee meetings held during fiscal year 2013:

Name	Audit & Finance	Compensation & Management Development	Governance & Nominating
Adrian D.P. Bellamy (not standing for reelection)		Chair	X
Domenico De Sole		X	
Robert J. Fisher			X
William S. Fisher			
Isabella D. Goren	X		
Bob L. Martin		X	Chair
Jorge P. Montoya	X		
Glenn K. Murphy			
Mayo A. Shattuck III	Chair		X
Katherine Tsang		X	
Padmasree Warrior (elected in September 2013)			

**Number of Meetings**

**8**

**6**

**6**

12

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### **Governance and Nominating Committee**

The Board's Governance and Nominating Committee is composed solely of independent directors, as defined under NYSE rules.

This Committee assists the Board of Directors in fulfilling its oversight responsibilities relating to the Company's corporate governance matters, including the development of corporate governance guidelines, periodic evaluation of the Board, its committees and individual directors, identification and selection of director nominees, and such other duties as directed by the Board of Directors. The Committee's charter is available at [www.gapinc.com](http://www.gapinc.com) (follow the Investors, Governance, Board of Directors, Board Committees links).

#### ***Nomination of Directors***

The Governance and Nominating Committee has the responsibility to identify, evaluate, and recommend qualified candidates to the Board. The Chairman and CEO, as well as at least two independent directors, must interview any qualified candidates prior to nomination. Other directors and members of management interview each candidate as requested by the Chairman and CEO or chair of the Committee.

The Committee engages third-party independent consultants to identify potential director nominees based on identified criteria and a needs assessment. These consultants have also assisted the Committee in identifying a diverse pool of qualified candidates and in evaluating and pursuing individual candidates at the direction of the Committee.

The Committee will also consider director nominees recommended by shareholders. Our Bylaws provide that in order for a shareholder to propose director nominations at the meeting of shareholders in 2015, the shareholder must give written notice to our Corporate Secretary by no later than the close of business (San Francisco Time) on February 19, 2015, and no earlier than January 20, 2015 (i.e., not less than 90 days nor more than 120 days prior to the first anniversary of the date of our 2014 Annual Meeting). The notice must contain information required by our Bylaws about the identity and background of each nominee and the shareholder making the nomination, including interests in derivative securities or arrangements with persons holding derivative securities, relationships or arrangements between the nominee and the shareholder making the nomination, and information that would enable the Board to determine a nominee's eligibility to serve as an independent director. The notice also must contain other information that must be disclosed in proxy solicitations for election of directors under the proxy rules of the SEC (including information regarding the director nominee's experience, qualifications, attributes and/or skills), the nominee's consent to the nomination and to serve if elected, and certain other information required by our Bylaws. If a shareholder fails to submit the notice by February 19, 2015, then the nominee(s) of the shareholder will not be considered at our Annual Meeting in 2015 in accordance with our Bylaws. Notifications must be addressed to our Corporate Secretary at Gap Inc., Two Folsom Street, San Francisco, California 94105. A copy of the full text of the Bylaw provisions relating to our advance notice procedure may be obtained at [www.gapinc.com](http://www.gapinc.com) (follow the Investors, Governance links) or to any shareholder on request by writing to our Corporate Secretary at the above address.

#### ***Qualifications and Diversity of Board Members***

All director nominees must possess certain core competencies, some of which may include experience in retail, consumer products, international business/markets, real estate, store operations, logistics, product design, merchandising, marketing, general operations, strategy, human resources, technology, media or public relations, finance or accounting, or experience as a CEO or CFO. In



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In addition to having one or more of these core competencies, Board member nominees are identified and considered on the basis of knowledge, experience, integrity, leadership, reputation, and ability to understand the Company's business. The Board believes that this diversity, including differences in backgrounds, qualifications, experiences, personal characteristics, gender and ethnicity/race, is important to the effectiveness of the Board's oversight of the Company. Accordingly, diversity is a factor that is considered in the identification and recommendation of potential director candidates. All director nominees are pre-screened to ensure that each candidate has qualifications that complement the overall core competencies of the Board. The screening process also includes conducting a background evaluation and an independence determination. The Board believes that its criteria for selecting board nominees are effective in promoting an appropriate level of diversity.

### ***Evaluation of Directors***

The Governance and Nominating Committee is also responsible for overseeing a formal evaluation process to assess the composition and performance of the Board, each committee, and each individual director on an annual basis. The assessment is conducted to identify opportunities for improvement and skill set needs, as well as to ensure that the Board, committees, and individual members have the appropriate blend of diverse experiences and backgrounds, and are effective and productive. As part of the process, each member completes a questionnaire that includes Board, committee and individual assessments. While results are aggregated and summarized for discussion purposes, individual responses are not attributed to any member and are kept confidential to ensure honest and candid feedback is received. The Committee discusses opportunities and agrees upon plans for improvement as appropriate and reports the results annually to the Board. A director will not be nominated for reelection unless it is affirmatively determined that he or she is substantially contributing to the overall effectiveness of the Board.

### **Audit and Finance Committee**

The Board's Audit and Finance Committee is composed solely of independent directors, as defined under SEC and NYSE rules.

This Committee assists the Board of Directors in fulfilling its oversight responsibilities relating to the integrity of our financial statements, compliance with legal and regulatory requirements, the registered public accounting firm's qualifications, independence and performance, the performance of the Internal Audit function, the effectiveness of the corporate compliance program, finance matters and such other duties as directed by the Board of Directors. In addition, the Committee is responsible for the appointment, compensation and oversight of the independent registered public accounting firm. The Committee's charter is available at [www.gapinc.com](http://www.gapinc.com) (follow the Investors, Governance, Board of Directors, Board Committees links).

### ***Audit Committee Financial Expert***

Our Board of Directors has determined that the Audit and Finance Committee has two members who are audit committee financial experts as determined under Regulation S-K Item 407(d)(5) of the Securities Exchange Act of 1934: Mr. Shattuck and Ms. Goren, both of whom are independent directors as determined under applicable NYSE listing standards.

### **Compensation and Management Development Committee**

The Board's Compensation and Management Development Committee is composed solely of independent directors, as defined under SEC and NYSE rules.

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This Committee assists the Board of Directors in fulfilling its oversight responsibilities relating to executive officer and director compensation, succession planning for senior management, development and retention of senior management, and such other duties as directed by the Board of Directors. The Committee's charter is available at [www.gapinc.com](http://www.gapinc.com) (follow the Investors, Governance, Board of Directors, Board Committees links).

The Committee approves all of the Company's executive compensation policies and programs and all compensation awarded to executive officers. Our CEO evaluates each executive officer and discusses with the Committee his assessment and recommendations for compensation. The CEO is not present during the Committee's deliberations about his own compensation. The Committee also oversees senior management development, retention, and succession plans. The Committee has delegated authority, within defined parameters, to the CEO or Committee Chair to approve grants of stock units to employees below the Vice President level (see the Long-Term Incentive Grant Practices section on page 40 for more details). The Committee has also delegated authority, within defined parameters, to the Company's Human Resources personnel to make certain non-material changes to the Company's employee benefit plans.

The Committee has engaged Frederic W. Cook & Co. as its independent executive compensation consultant. The consultant provides advice to the Committee from time to time on the compensation program structure and specific individual compensation arrangements (see the Role of the CEO and Compensation Consultant section on page 32 for more details). In addition, under new NYSE rules promulgated as a result of the Dodd Frank Act (which were incorporated into the Committee's charter last year), the Committee can only retain a compensation advisor after considering six independence factors: (a) whether the advisor provides other services to the company, (b) the fees received by the advisor from the company as a percentage of the advisor's overall revenue, (c) the advisor's policies and procedures designed to prevent conflicts of interest, (d) any business or personal relationship between the advisor and a member of the compensation committee; (e) any stock of the company owned by the advisor, and (f) any business or personal relationship of the advisor with an executive officer of the company. Based on a review of the Committee's relationship with its compensation consultant and an assessment considering these six independence factors, the Committee has identified no conflicts of interest and confirmed the independence of Frederic W. Cook & Co.

### ***Compensation Committee Interlocks and Insider Participation***

During fiscal 2013, Mr. Bellamy (who is not standing for reelection), Mr. De Sole, Mr. Martin, and Ms. Tsang served on the Compensation and Management Development Committee of the Board of Directors. During fiscal 2013, none of our executive officers served on the board of directors of any company where one of that company's executive officers served as one of our board members.

### **Attendance of Directors at Annual Meetings of Shareholders**

Our policy regarding attendance by directors at our Annual Meeting of Shareholders states that our Chairman, Lead Independent Director, and committee chairs should attend and be available to answer questions at our Annual Meeting, if reasonably practicable. Our policy also encourages all other directors to attend. All of our director nominees attended our 2013 Annual Meeting in person.

### **Communication with Directors**

Interested parties can send direct communications to our Board of Directors (through our Chairman, Lead Independent Director, and Corporate Secretary) by email to: [board@gap.com](mailto:board@gap.com).

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### **Stock Ownership Guidelines for Directors**

We have adopted minimum stock ownership guidelines for our Directors. Each non-management director should, within three years of joining the Board of Directors, hold stock (which includes deferred stock units) of the Company worth at least five times the annual base retainer then in effect. Management directors are required to own stock of the Company in accordance with our stock ownership requirements for executives, described on page 41. Our insider trading policy, which is applicable to directors, prohibits speculation in the Company's stock, including short sales, hedging or publicly-traded option transactions, and holding the Company's stock in a margin account as collateral for a margin loan or otherwise pledging Company stock as collateral.

### **Additional Corporate Governance Information**

If you would like further information regarding our corporate governance practices, please visit the governance and compliance sections of [www.gapinc.com](http://www.gapinc.com) (follow the Investors link). Those sections include:

Our Corporate Governance Guidelines (available in print on request to our Corporate Secretary);

Our Code of Business Conduct (available in print on request to our Corporate Secretary);

Our Committee Charters;

Our Certificate of Incorporation;

Our Bylaws;

A method for interested parties to send direct communications to our Board of Directors (through our Chairman, Lead Independent Director, and Corporate Secretary) by email to [board@gap.com](mailto:board@gap.com); and

Methods for employees and others to report suspected violations of our Code of Business Conduct or accounting, internal accounting controls, or auditing concerns to our Global Integrity department by confidential email to [global\\_integrity@gap.com](mailto:global_integrity@gap.com), through our Code Hotline (866) GAP-CODE or online at [speakup.gapinc.com](http://speakup.gapinc.com). Callers from outside North America must dial their country's AT&T Direct Access Code which can be found at [speakup.gapinc.com](http://speakup.gapinc.com). Code Hotline calls are answered by a live operator from an outside company, and are free, confidential and may be made anonymously. Accounting, auditing, and other significant concerns are referred by the Global Integrity department to the Audit and Finance Committee.

**Table of Contents****COMPENSATION OF DIRECTORS****Retainer and Meeting Fees**

The table below shows the annual retainer, attendance fees, and committee chair retainer we paid to our non-employee directors in fiscal 2013, as well as the amounts for fiscal 2014:

<b>Fiscal Year 2013 and 2014 Director Cash Compensation</b>		
	<b>2013</b>	<b>2014</b>
Annual Retainer	\$ 75,000	\$ 75,000
Additional Annual Retainer for Committee Chairs		
Audit and Finance Committee	20,000	20,000
Compensation and Management Development Committee	20,000	20,000
Governance and Nominating Committee	15,000	15,000
Additional Annual Retainer for Lead Independent Director	25,000	25,000
Fee per Board Meeting (1)		
Fee per regularly scheduled Committee Meeting	2,000	2,000

**Footnote**

- (1) This amount does not include a fee of \$2,000 that is paid to non-employee directors who reside primarily outside of North America for attendance at each Board and/or committee meeting requiring travel to the United States.

Employee directors are not eligible for the annual retainer or attendance fees, and are not eligible to serve on committees or as committee chairs.

**Equity Compensation**

Non-employee directors receive the following under our 2011 Long-Term Incentive Plan:

Each new non-employee director automatically receives stock units with an initial value of \$140,000 based on the then-current fair market value of the Company's common stock;

Each continuing non-employee director automatically receives, on an annual basis, stock units with an initial value of \$140,000 at the then-current fair market value of the Company's common stock; provided that newly-appointed non-employee directors who were appointed after the Company's last annual shareholders meeting will receive their first annual stock unit grant on a prorated basis based on the number of days that the director has served between his or her appointment and the date of the first annual stock unit grant.

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The annual stock units granted to continuing non-employee directors following the Company's annual shareholders meeting, as well as the initial grant made to any non-employee director who is first elected to the Board at the Company's annual shareholders meeting, are granted on June 30 of each year; provided, however, that if the Company's annual shareholders meeting takes place after June 30, then the related stock unit grants will be granted on the first business day following that meeting. All initial stock units to new non-employee directors who are appointed other than at the annual shareholders meeting are granted on the date of appointment. The number of stock units are rounded down to the nearest whole share. These stock units are fully-vested but are subject to a three-year deferral period. During the deferral period, the stock units earn dividend equivalents which are

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reinvested in additional units annually. Following the deferral period, shares in an amount equal in value to the stock units, including units acquired through dividend equivalent reinvestment, will be issued to each non-employee director unless a further deferral election has been made; provided, however, that shares and accumulated dividend equivalents will be issued immediately upon ceasing to be a director of the Company.

## **Expense Reimbursement and Other Benefits**

We also pay for or reimburse directors for approved educational seminars and for travel expenses related to attending Board, committee, and approved Company business meetings. Additionally, we provide non-employee directors access to office space and administrative support for Company business from time to time.

Directors and their spouses are eligible to receive discounts on our merchandise in accordance with the Gap Inc. corporate employee merchandise discount policy.

In January 2006, we established The Gap, Inc. Deferred Compensation Plan ( DCP ) whereby highly compensated employees, including executive officers, and non-employee directors may elect to defer receipt of certain eligible income. The DCP allows eligible employees to defer a percentage of their salary and bonus on a pre-tax basis, and allows non-employee directors to defer their retainers and meeting fees. The deferred amounts are indexed to reflect the performance of the participant's choice of approved investment funds. Non-employee director deferrals are not matched, and above-market or preferential interest rate options are not available on deferred compensation.

The Non-Employee Director Retirement Plan is an unfunded deferred compensation plan that provides for annual benefits if a non-employee director has served on the Board for five consecutive years and is still a director at age 72. In fiscal 1996, the Board of Directors terminated this plan for future directors. Mr. Bellamy is the only current director who is eligible for plan benefits based on the fact that he remained on the Board until age 72. Accordingly, he is entitled to receive an annual benefit payment equal to \$27,000 until 2033. If Mr. Bellamy dies before 2033, payments would continue to his surviving spouse for the life of his spouse, or until 2033, whichever is sooner.

Directors are eligible to participate in our Gift Match Program available to all employees, under which we match contributions to eligible nonprofit organizations, up to certain annual limits. In fiscal 2013, Mr. Murphy, our Chairman and CEO, had an annual matching limit of \$100,000. The annual limit for non-employee directors was \$15,000 under the Gift Match Program. Mr. Murphy, as an employee, is also eligible to participate in our Board Service Program that matches nonprofit board service by eligible employees with contributions to eligible nonprofit organizations, up to an annual limit of \$10,000.

**Table of Contents****Director Compensation Summary**

The following table sets forth certain information regarding the compensation of our directors in fiscal 2013, which ended February 1, 2014.

Name (1)	Fees		Non-Equity		Change in	Nonqualified		Total
	Earned	Stock	Option	Incentive	Pension	Deferred	All Other	
	or Paid	Awards	Awards	Plan	Compensation	Earnings	Compensation	
	in Cash			Compensation				
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Adrian D.P. Bellamy	115,000	139,962	0	0	(21,809)	10,000		243,153
Domenico De Sole	87,000	139,962	0	0	0	15,000		241,962
Robert J. Fisher	83,000	139,962	0	0	0	1,000		223,962
William S. Fisher	75,000	139,962	0	0	0	15,000		229,962
Isabella D. Goren	91,000	139,962	0	0	0	15,000		245,962
Bob L. Martin	135,000	139,962	0	0	0	10,000		284,962
Jorge P. Montoya	101,000	139,962	0	0	0	11,000		251,962
Mayo A. Shattuck III	119,000	139,962	0	0	0	15,000		273,962
Katherine Tsang	95,000	139,962	0	0	0	9,000		243,962
Padmasree Warrior	37,500	139,973	0	0	0	0		177,473

**Footnotes**

- (1) Glenn K. Murphy was compensated as our CEO and received no additional compensation as our Chairman or as a Director. Mr. Murphy's compensation is reported in the Summary Compensation Table and related executive compensation tables, beginning on page 45.
- (2) This column reflects the aggregate grant date fair value for awards of stock during fiscal 2013, computed in accordance with FASB ASC 718. All stock awards reported in this column were granted in fiscal 2013. The following directors had outstanding stock awards as of fiscal 2013 year-end: Mr. Bellamy (20,322), Mr. De Sole (20,274), Mr. Robert Fisher (25,768), Mr. William Fisher (14,828), Ms. Goren (14,967), Mr. Martin (14,828), Mr. Montoya (14,828), Mr. Shattuck (14,828), Ms. Tsang (13,938), and Ms. Warrior (3,475). For the period during which the payment of these units is deferred (see page 17), they will earn dividend equivalents which are reinvested in additional units annually. Please refer to Note 11, "Share-Based Compensation," in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K filed on March 24, 2014 for the relevant assumptions used to determine the valuation of our stock awards.
- (3) No stock options were granted to our directors in fiscal 2013. The following directors had outstanding option awards as of fiscal 2013 year-end: Mr. Robert Fisher (11,250), Mr. Martin (11,250), Mr. Montoya (26,250), and Mr. Shattuck (11,250).
- (4)

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The amount in this column for Mr. Bellamy represents the estimated change in present value of his accumulated benefit under the Company's Non-Employee Director Retirement Plan, described on page 18.

- (5) Amounts in this column include any Company matching contributions under the Company's Gift Match Program (see Expense Reimbursement and Other Benefits, on page 18).



**Table of Contents****PROPOSAL NO. 2 Selection of Independent Registered Public Accounting Firm**

The Audit and Finance Committee of the Board of Directors has selected Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending January 31, 2015. If shareholders fail to ratify the selection of Deloitte & Touche LLP, the Audit and Finance Committee will reconsider the selection. If the selection of Deloitte & Touche LLP is approved, the Audit and Finance Committee, in its discretion, may still direct the appointment of a different independent auditing firm at any time and without shareholder approval if the Audit and Finance Committee believes that such a change would be in the best interest of us and our shareholders.

**THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE  
FOR THE SELECTION OF DELOITTE & TOUCHE LLP AS OUR  
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM.**

Representatives of Deloitte & Touche LLP are expected to be present, available to make statements, and available to respond to appropriate shareholder questions at the Annual Meeting.

**Principal Accounting Firm Fees**

The following table sets forth the aggregate fees paid and accrued by us for audit and other services for the fiscal years ended February 1, 2014 and February 2, 2013 provided by our principal accounting firm, Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu, and their respective affiliates (collectively "Deloitte & Touche").

Fees (see notes below)	Fiscal Year 2013 and 2012 Accounting Fees	
	Fiscal Year 2013	Fiscal Year 2012
Audit Fees	\$ 4,734,453	\$ 4,530,000
Audit-Related Fees	267,779	374,000
Tax Fees	41,901	13,000
All Other Fees	4,354	4,000
<b>Total</b>	<b>\$ 5,048,487</b>	<b>\$ 4,921,000</b>

**Audit Fees** consists of fees for professional services rendered in connection with the audit of our consolidated annual financial statements, the review of our interim condensed consolidated financial statements included in quarterly reports, and the audits in connection with statutory and regulatory filings or engagements.

**Audit-Related Fees** consists primarily of fees for professional services rendered in connection with the audit of our employee benefit plans, audit procedures required by store leases and capital verification reports.

**Tax Fees** consists of fees billed for professional services rendered for tax compliance and tax advice. These services include assistance regarding federal, state and international tax compliance, and competent authority proceedings.

**All Other Fees** consists of fees for products and services other than the services reported above.

The Audit and Finance Committee has a policy to pre-approve all services performed by our independent registered public accounting firm. This policy requires that all services performed by Deloitte & Touche, whether audit or non-audit services, must be pre-approved by the Audit and Finance Committee or a designated member of the Audit and Finance Committee, with any such services reported to the entire Audit and Finance Committee at the next scheduled meeting.

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**Report of the Audit and Finance Committee**

The Audit and Finance Committee assists the Board of Directors in fulfilling its oversight responsibilities relating to the integrity of our financial statements, compliance with legal and regulatory requirements, the independent registered public accounting firm qualifications, independence and performance, the performance of the Internal Audit function, the effectiveness of the corporate compliance program, finance matters, and such other duties as directed by the Board of Directors. The Committee operates under a written charter (available at [www.gapinc.com](http://www.gapinc.com), follow the Investors, Governance, Board of Directors, Board Committees links) adopted by the Board of Directors. The Committee is composed exclusively of directors who are independent under New York Stock Exchange listing standards and Securities and Exchange Commission rules.

The Committee has reviewed and discussed the audited financial statements of the Company for the fiscal year ended February 1, 2014 with the Company's management. In addition, the Committee has discussed with Deloitte & Touche LLP, the Company's independent registered public accounting firm, the matters required to be discussed by the applicable Public Company Accounting Oversight Board and Securities and Exchange Commission requirements.

The Committee also has received the communications, including written disclosures and the letter from Deloitte & Touche LLP, required by the applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the Committee concerning independence, and the Committee has discussed the independence of Deloitte & Touche LLP with that firm.

Based on the Committee's review and discussions noted above, the Committee recommended to the Board of Directors that the Company's audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended February 1, 2014 for filing with the Securities and Exchange Commission.

*Mayo A. Shattuck III (Chair)*

*Isabella D. Goren*

*Jorge P. Montoya*

Notwithstanding anything to the contrary in any of the Company's previous or future filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, that might incorporate this Proxy Statement or future filings with the Securities and Exchange Commission, in whole or in part, this report shall not be deemed to be incorporated by reference into any such filing.

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**PROPOSAL NO. 3 Advisory Vote on the Overall Compensation of  
The Gap, Inc. s Named Executive Officers**

Pursuant to Section 951 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Company is providing shareholders with an advisory (non-binding) vote on the overall compensation of our named executive officers. Accordingly, the following resolution will be submitted for a shareholder vote at the 2014 Annual Meeting:

*RESOLVED, that the shareholders of The Gap, Inc. (the Company ) approve, on an advisory basis, the overall compensation of the Company s named executive officers, as described in the Compensation Discussion and Analysis section, the accompanying compensation tables, and the related narrative disclosure pursuant to Item 402 of Regulation S-K, set forth in the Proxy Statement for this Annual Meeting.*

The Board and the Compensation and Management Development Committee, which is comprised entirely of independent directors, will consider the outcome of the shareholders non-binding advisory vote when making future executive compensation decisions to the extent they can determine the cause or causes of any significant positive or negative voting results.

As described in detail under the section entitled Compensation Discussion and Analysis, our executive compensation program is designed to provide the level of compensation necessary to attract, motivate, and retain talented and experienced executives and to motivate them to achieve short-term and long-term goals, thereby enhancing shareholder value and creating a successful company. Overall, we believe our executive compensation program meets each of our compensation objectives.

We were pleased to have received over 99% of all votes cast in support of the overall compensation of our executives at our 2013 Annual Meeting of Shareholders. The Compensation and Management Development Committee continued to apply the same philosophy and protocol it used in prior years to determine fiscal 2013 compensation. In addition, as described on page 30, we have several compensation governance programs in place to manage compensation risk and align the Company s executive compensation with long-term shareholder interests.

Shareholders are encouraged to read the Compensation Discussion and Analysis section of this Proxy Statement, the accompanying compensation tables, and the related narrative disclosures, which more thoroughly discuss how our compensation policies and procedures implement our compensation philosophy.

**THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS  
VOTE TO APPROVE, ON AN ADVISORY BASIS, THE OVERALL  
COMPENSATION OF THE COMPANY S NAMED EXECUTIVE OFFICERS  
BY VOTING FOR THIS RESOLUTION.**

**Table of Contents****BENEFICIAL OWNERSHIP OF SHARES**

The following table sets forth certain information as of March 24, 2014 to indicate beneficial ownership of our common stock by (i) each person known by us to be the beneficial owner of more than 5% of the outstanding shares of our common stock, (ii) each director and nominee and each executive officer named in the Summary Compensation Table of this Proxy Statement, and (iii) all of our directors and executive officers as a group. Unless otherwise indicated, beneficial ownership is direct and the person indicated has sole voting and investment power. Beneficial ownership is determined in accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended.

Name of Beneficial Owner	Shares Beneficially Owned Awards			% of Class (3)
	Common	Vesting Within	Total	
	Stock	60 Days (2)		
<b>Directors and Named Executive Officers</b>				
Adrian D. P. Bellamy (1)	15,718	21,268	36,986	*
Jack Calhoun	34,247	330,000	364,247	*
Domenico De Sole	24,593	21,165	45,758	*
Robert J. Fisher (4) (7)	108,108,552	38,593	108,147,145	24.2%
William S. Fisher (5) (7)	108,459,750	15,090	108,474,840	24.3%
Isabella D. Goren	0	15,219	15,219	*
Bob L. Martin	63,080	26,340	89,420	*
Jorge P. Montoya	40,844	26,340	67,184	*
Glenn K. Murphy	511,325	1,350,000	1,861,325	*
Arthur Peck	77,121	95,000	172,121	*
Mayo A. Shattuck III	71,401	22,590	93,991	*
Sabrina L. Simmons	12,370	22,500	34,870	*
Stephen Sunnucks	208,127	97,501	305,628	*
Katherine Tsang	5,788	14,174	19,962	*
Padmasree Warrior	0	3,475	3,475	*
<b>All directors and executive officers, as a group (20 persons) (6)</b>	<b>127,935,687</b>	<b>2,296,755</b>	<b>130,232,442</b>	<b>29.0%</b>
<b>Certain Other Beneficial Holders</b>				
Fisher Core Holdings L.P. (7)	81,000,000	0	81,000,000	18.1%
Doris F. Fisher (8)	35,375,499	0	35,375,499	7.9%
John J. Fisher (7) (9)	118,171,043	0	118,171,043	26.4%

**Footnotes**

(1) Mr. Bellamy is not standing for reelection to the Board of Directors.

(2) Reflects stock options exercisable and stock units vesting within 60 days after March 24, 2014. Also includes the outstanding stock units earned but unpaid to non-employee directors, which are subject to a three-year deferral period but would be issued immediately upon the resignation or retirement of the non-employee director, as described on page 17.

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- (3) \* indicates ownership of less than 1% of the outstanding shares of our common stock.
- (4) Includes 2,677,680 shares held jointly by Robert J. Fisher and his spouse, 17,907,263 shares held by Robert J. Fisher as trustee under certain trusts, including 17,657,263 for which voting and investment power is shared, 15,000 shares beneficially owned through limited partnerships over which Mr. Fisher has sole dispositive and voting power, and 81,000,000 shares held by Fisher Core Holdings L.P., of which Robert J. Fisher is a general partner. Mr. Fisher disclaims individual beneficial ownership of shares owned by Fisher Core Holdings L.P. or its other general partners except to the extent of his actual ownership interest therein. Also see footnote 7 below and the note regarding various Fisher family holdings immediately following this table. Robert J. Fisher's address is One Maritime Plaza, Suite 1400, San Francisco, California 94111. Amounts shown do not include 123,329 shares owned by Mr. Fisher's spouse, beneficial ownership of which is disclaimed as Mr. Fisher does not have voting or dispositive control over such shares.

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- (5) Includes 655,906 shares held jointly by William S. Fisher and his spouse, 18,942,989 shares held by William S. Fisher as trustee under certain trusts, including 18,211,007 shares (of which 550,000 shares are held in a charitable foundation) for which voting and investment power is shared, 15,000 shares beneficially owned through limited partnerships over which Mr. Fisher has sole dispositive and voting power, and 81,000,000 shares held by Fisher Core Holdings L.P., of which William S. Fisher is a general partner. Mr. Fisher disclaims individual beneficial ownership of shares owned by Fisher Core Holdings L.P. or its other general partners except to the extent of his actual ownership interest therein. Also see footnote 7 below and the note regarding various Fisher family holdings immediately following this table. William S. Fisher's address is One Maritime Plaza, Suite 1400, San Francisco, California 94111. Amounts shown do not include 162,133 shares owned by Mr. Fisher's spouse, beneficial ownership of which is disclaimed as Mr. Fisher does not have voting or dispositive control over such shares.
- (6) Reflects the information above as well as information regarding our unnamed executive officers; provided however, that shares reflected more than once in the table above with respect to Robert J. Fisher and William S. Fisher are only reflected once in this line. See the note regarding various Fisher family holdings immediately following this table.
- (7) The address of Fisher Core Holdings L.P. is One Maritime Plaza, Suite 1400, San Francisco, California 94111. As general partners, Messrs. Robert J. Fisher, John J. Fisher, and William S. Fisher have shared power (by majority vote) to vote or direct the vote of 70,200,000 shares and to dispose or direct the disposition of all of the partnership's 81,000,000 shares. Limited liability companies which are not partners of Fisher Core Holdings L.P. nor are controlled by its general partners hold a proxy to vote 10,800,000 shares held by Fisher Core Holdings L.P.
- (8) Doris F. Fisher's address is One Maritime Plaza, Suite 1400, San Francisco, California 94111. Amounts shown do not include shares held directly or indirectly by Mrs. Fisher's three adult sons or their spouses, beneficial ownership of which is disclaimed because Mrs. Fisher does not have voting or dispositive control over such shares.
- (9) Includes 22,501,941 shares held by John J. Fisher as trustee under certain trusts, including 17,662,714 shares for which voting and investment power is shared, 20,000 shares beneficially owned through limited partnerships over which Mr. Fisher has sole dispositive and voting power, and 81,000,000 shares held by Fisher Core Holdings L.P., of which John J. Fisher is a general partner. Mr. Fisher disclaims individual beneficial ownership of shares owned by Fisher Core Holdings L.P. or its other general partners except to the extent of his actual ownership interest therein. Also see footnote 7 above and the note regarding various Fisher family holdings immediately following this table. John J. Fisher's address is One Maritime Plaza, Suite 1400, San Francisco, California 94111. Amounts shown do not include 41,924 shares owned by Mr. Fisher's spouse, beneficial ownership of which is disclaimed as Mr. Fisher does not have voting or dispositive control over such shares.

**Note Regarding Various Fisher Family Holdings**

SEC rules require reporting of beneficial ownership of certain shares by multiple parties where voting and dispositive power over those shares is shared by those multiple parties. As a result, the following shares are listed multiple times in the table above.

The 81,000,000 shares held by Fisher Core Holdings L.P. (see footnote 7 above) are included three additional times in the above table under the names of Messrs. Robert J. Fisher, William S. Fisher, and John J. Fisher (that is, there are only 81,000,000 shares rather than 324,000,000 shares).

In addition, the shares described in footnotes (4), (5) and (9) above for which voting and investment power is shared by Messrs. Robert J. Fisher, William S. Fisher, and John J. Fisher actually represent an aggregate of 26,490,492 shares, rather than 52,980,984 shares, as a result of that shared voting and investment power.

For purposes of the above table, removing the shares counted multiple times (described above) results in an aggregate total ownership of 32.7% of the outstanding shares by Messrs. John J. Fisher, Robert J. Fisher, William S. Fisher and Fisher Core Holdings L.P.

The aggregate total ownership of Mrs. Doris F. Fisher and Messrs. John J. Fisher, Robert J. Fisher, William S. Fisher and Fisher Core Holdings L.P. is 40.7% of the outstanding shares. Mrs. Doris F. Fisher, and Messrs. John J. Fisher, Robert J. Fisher, and William S. Fisher each disclaim beneficial ownership over shares owned by other members of the Fisher family and Fisher Core Holdings L.P., except as specifically disclosed in the footnotes above.

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**Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act requires the Company's directors and executive officers, and holders of more than 10% of the Company's common stock, to file with the SEC reports about their ownership of the Company's common stock. Such directors, officers and 10% shareholders are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file.

Securities and Exchange Commission regulations require us to identify in this Proxy Statement anyone who filed a required report late during the most recent fiscal year. Based on our review of forms we received, or written representations from reporting persons stating that they were not required to file these forms, we believe that during fiscal 2013 all Section 16(a) filing requirements were satisfied on a timely basis.



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**COMPENSATION DISCUSSION AND ANALYSIS**

This Compensation Discussion & Analysis ( CD&A ) explains the key elements of our executive compensation program and compensation decisions for our named executive officers ( Executives ). The Compensation and Management Development Committee of our Board of Directors (the Committee ) oversees these programs and determines compensation for our Executives.

**Executive Summary**

Our fiscal 2013 Executives are:

<b>Glenn Murphy</b>	<b>Chairman of the Board and Chief Executive Officer</b>
<b>Sabrina Simmons</b>	<b>Executive Vice President and Chief Financial Officer</b>
<b>Jack Calhoun</b>	<b>Global President, Banana Republic</b>
<b>Arthur Peck</b>	<b>President, Growth, Innovation, and Digital</b>
<b>Stephen Sunnucks</b>	<b>Global President, Gap</b>

**Fiscal 2013 Business Highlights**

In 2013, the Company continued to drive strong top and bottom line performance while also making progress against our strategic objectives, including growing globally and launching innovative omni-channel capabilities. Over the course of the year, Gap Inc. gained market share, growing net sales by 3%, with comparable sales growth of 2.1%. In addition, the Company used a balanced approach to drive shareholder value in the face of macro headwinds from foreign exchange and a shorter fiscal year calendar. This flexible approach enabled the Company to deliver operating margin improvement of 90 basis points, a net income increase of 13%, and 18% earnings per share growth on top of last year's strong 49% earnings per share growth.

In 2013, the Company achieved a number of additional noteworthy successes:

Gap Inc. transitioned to a global brand management structure to drive long-term growth.

As the Company continued to execute on its global growth strategy, we opened 190 company operated stores in 2013.

- i Net sales outside of North America (including Gap Inc. Direct and Franchise) increased 5% to \$2.5 billion.
- i In our important China market, Gap brand added 34 Company-operated stores, ending the year with 81 total stores. Gap brand also announced plans to open its first store in Taiwan in early 2014. Further, Old Navy announced plans to open its first store in Shanghai and the launch of an Old Navy e-commerce site in China in the first half of 2014.

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- i The Company opened an additional 17 Old Navy stores in Japan, ending the year with 18.
  
- i We opened 58 Global Outlet stores to end the year with 532.
  
- i We opened 30 Athleta stores and 7 Intermix stores, for a total of 65 and 37, respectively.
  
- i Franchise net sales grew 9%, and franchisees added 72 new stores in 5 new countries, ending the year with 375 total stores. The Company also announced plans to open its first franchise-operated Old Navy stores in the Philippines in 2014.

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The Company continued to build upon its online success, with 21% online sales growth to \$2.26 billion. In 2013, Gap Inc. expanded its ship-from-store initiative to include Old Navy, Gap, Banana Republic and Athleta stores, and introduced reserve-in-store at Banana Republic and Gap.

The Company reinforced its commitment to shareholders by returning about \$1.3 billion in cash to shareholders through share repurchases and dividends for the full year. In August, the Company announced its intention to increase the annual dividend per share to \$0.80, a 60 percent increase over the fiscal 2012 dividend per share of \$0.50, and in November, the Company announced a new \$1 billion share repurchase authorization.

## **Fiscal 2013 Executive Compensation Summary**

We were pleased to have received over **99%** of all votes cast in support of the overall compensation of our executives at our 2013 Annual Meeting of Shareholders.

The Committee considered this advisory vote and believes that it underscores shareholder support for our compensation philosophy and the overall structure of our executive compensation programs. As in past years, our compensation programs continue to align executives with our annual and long-term objectives. For fiscal 2013, we made compensation decisions intended to (i) recognize increased job responsibilities related to our transition to a global brand management structure and ensure alignment of incentives, (ii) motivate achievement of performance goals and sustain the momentum achieved during 2012, and (iii) retain key executives. These decisions included:

*Base salaries.* We did not increase base salaries, other than a modest increase given to the CFO to maintain appropriate positioning.

*Financial Performance Goals.* Goals for Global Presidents were designed to incorporate each executive's global scope, in alignment with our business strategy. Target performance goals were set prospectively at the beginning of the year to provide an appropriate and realistic incentive while requiring improved performance from the prior year. Payouts under our incentive plans for fiscal 2013 performance were varied based on each organization's performance. We believe outcomes reflect our continued commitment to pay for performance.

*Annual bonuses.* The target bonus as a percentage of base salary was increased for executives in President level positions in light of increased responsibilities related to our transition to a global brand management structure.

*Long-Term Incentives.* Target award levels were increased for executives in President level positions in connection with the organization transition, and for the CFO to maintain appropriate positioning and alignment relative to other executives. We granted performance shares under the Long-Term Growth Program (LGP) and stock options to certain executives other than the CEO. We also granted special stock units to executives in President level positions in connection with their expanded responsibilities and to further encourage retention over an extended period.

The long-term incentive awards represent only an opportunity for executives to earn actual realized compensation based on future financial performance and shareholder value creation.

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*CEO Compensation Summary*

We did not increase base salary, which remains at the same level established on his hire date in 2007.

Annual bonus was earned at 119% of target based on financial performance.

In fiscal 2012, we granted performance shares that cover the fiscal 2012 to 2014 period. The target number of shares that may be earned during the period is an aggregate of 1,000,000, with a potential range at the time of grant of 0 to 2,000,000 shares. It is important to recognize that these performance shares represent only an opportunity to earn actual shares of stock if performance goals are achieved. The Committee views the annualized value of this grant over the three-year period as sufficient to cover three years' worth of equity grants to Mr. Murphy. Therefore, the Committee does not expect to award further equity grants to Mr. Murphy through at least fiscal 2014.

The chart below shows the proportion of each major component of our CEO's fiscal 2013 compensation, as reported in the Summary Compensation Table on page 45, the majority of which is weighted toward incentive compensation tied to the financial performance of the Company and the long-term return realized by shareholders.

**Table of Contents****CEO Pay Alignment with Performance**

The charts below show the directional relationship between Company performance, based on Net Sales and Diluted Earnings Per Share, and our CEO's reported compensation from 2011 to 2013. These two key metrics are illustrated because they tend to correlate to long-term value for shareholders. Gap Inc.'s stock delivered a total return of 18% in fiscal 2013, and 110% over the three fiscal years ending in 2013.

**Highlights since Mr. Murphy's hire date of August 3, 2007 (2007 - 2013):**

<b>Average Annual Reported Pay <sup>(1)</sup>:</b>	<b>\$15,259,854</b>
<b>Average Annual Realized Pay <sup>(1)</sup>:</b>	<b>\$13,794,809</b>
<b>Total Shareholder Return from August 3, 2007 through February 1, 2014:</b>	<b>163%</b>

**Footnote**

- (1) Includes Mr. Murphy's aggregate reported and realized compensation from his August 3, 2007 hire date through fiscal 2013, averaged over seven years. Reported Pay is total compensation based on the current SEC reporting rules for the Summary Compensation Table. Realized Pay is compensation actually received by the CEO, including salary, cash bonus, net spread on stock option exercises, and all other compensation amounts realized during the period. Excludes the value of unearned and unvested performance shares, including the 2012 performance share award and outstanding LGP awards, which will not actually be received, if earned, until a future date.

**Compensation Objectives**

Our compensation program is intended to align total compensation for executives with the short and long-term performance of the Company and to enable us to attract and retain executive talent. Specifically, the program is designed to:

Support a performance-oriented culture;

Support our business strategy by motivating and rewarding achievement of annual short- and long-term objectives, as well as individual contributions;

Attract and retain executive talent;

Link executive rewards to shareholder returns; and

Ensure executive stock ownership.

Our program rewards executives for the achievement of corporate and divisional financial and operating objectives, for their individual contributions to these results, and for optimizing long-term returns to shareholders. The majority of each executive's total compensation opportunity is weighted toward incentive compensation tied to the financial performance of the Company and the long-term return realized by shareholders. When we do not achieve targeted performance levels and/or our stock



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does not appreciate, compensation that can be realized by our executives is substantially reduced. When we exceed targeted performance levels and/or our stock price appreciates, compensation that can be realized by our executives is substantially increased. We believe that this is the most effective means of aligning executive incentives with our shareholders' interests.

Overall, we believe our executive compensation program met each of our compensation objectives and continues to demonstrate our strong commitment to pay for performance. The table below highlights key compensation practices – both the practices we believe support strong governance principles and the practices we have not implemented because we do not believe they would serve our shareholders' long-term interests.

**What we do**

- ü We tie pay to performance. Our compensation programs are heavily weighted toward performance with limited perquisites, no supplemental executive retirement plan (SERP), and competitive severance benefits.
  
- ü We review tally sheets, which are intended to summarize key elements of total compensation and potential wealth accumulation, for our named executive officers prior to making annual compensation decisions.
  
- ü We have an incentive compensation recoupment (clawback) policy covering our executives.
  
- ü We have executive stock ownership requirements which we review on a regular basis and revise as needed.
  
- ü We prohibit executives from engaging in any hedging or publicly-traded derivative transactions in Company stock.
  
- ü We prohibit executives from pledging Company stock as collateral for a loan or for any other purpose.

**What we don't do**

- û We have no employment contracts of defined length with our executives and no multi-year guarantees for base salary increases, bonuses or equity compensation.
  
- û None of our executives are entitled to tax gross-up payments other than on relocation related payments that are business-related and also generally available to other employees.
  
- û We have not re-priced stock options nor are we able to do so without shareholder approval.
  
- û The Committee's compensation consulting firm does not provide any other services to the Company, and we have identified no conflicts of interest related to the consulting firm's provision of services to the Committee.
  
- û We have no incentive compensation arrangements for executives that create potential material risk for the Company, based on a risk assessment conducted by the Company.

**Compensation Analysis Framework**

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The Committee reviews executive compensation at least annually. The Committee's review includes base salary, annual incentives, long-term incentives and the value of benefits and perquisites. Each element is considered individually and in total using tally sheets, which are intended to summarize all of the elements of total actual and potential compensation and wealth accumulation. The tally sheets present the dollar value of each compensation component, including accumulated vested and unvested long-term incentive gains and potential gains using stock price assumptions, vesting schedules for long-term incentive awards, accumulated deferred compensation and potential severance benefits.



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The Committee also uses a summary of compensation data covering other companies to support its analysis. The Committee selected a broad spectrum of retail and consumer products companies for purposes of comparing market compensation levels (the peer group) because we have both recruited from and lost executive talent to these industries in the past, and to ensure appropriate scope and complexity relative to the Company. Because the size of the peer group companies varies considerably, regression analysis is used where appropriate to adjust the compensation data for differences in company revenues.

The peer group is reviewed by the Committee each year. The peer group used in 2013 was comprised of the companies listed below. The only change from the peer group used in 2012 was the elimination of Beam (formerly Fortune Brands) based on reduced comparability after a spin-off of part of its business.

Abercrombie & Fitch	General Mills	Nordstrom
Aeropostale	J.C. Penney	PepsiCo
American Eagle Outfitters	J. Crew	Polo Ralph Lauren
Avon Products	Kellogg	Ross Stores
Best Buy	Kimberly Clark	Sears Holdings
Children's Place Retail Stores	Kohls	Staples
Coach	Levi Strauss	Starbucks
Coca-Cola	L Brands	Target
Costco Wholesale	Macy's	TJX Companies
Estee Lauder Companies	McDonald's	Williams-Sonoma
Disney	Nike	YUM! Brands

The majority of peer group companies provide compensation data through surveys conducted by Towers Watson, an international consulting company. The surveys provide levels of base salary, annual incentives, and long-term incentive grant values in a summarized form, and we believe that this data provides a reasonable indicator of total compensation values for the peer group. This data is supplemented by information obtained through proxy statement disclosures and other public sources. The Committee uses the peer group surveys along with the tally sheet data as a frame of reference to inform compensation decisions, but compensation is not set to meet specific benchmarks or percentiles.

In conducting its analysis and determining compensation, the Committee also considers these factors:

Business and talent strategies;

The nature of each executive's role;

Individual performance (based on specific financial and operating objectives for each executive, as well as leadership behaviors);

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Compensation history, including at former employers in the case of new hires;

Future potential contributions by the executive;

Internal comparisons to other executives;

Comparisons of the value and nature of each compensation element to each other and in total; and

Retention risk.

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The Committee also considers management's recommendations and advice from the Committee's independent compensation consultant. Significant weight is placed on the recommendations by the CEO for compensation other than his own. The Committee also reviews the accounting and tax implications of each compensation element, and shareholder dilution in the case of equity awards. Analysis for each compensation component and the decisions that were made is described below.

## **Role of the CEO and Compensation Consultant**

The CEO evaluates each executive using the factors described above under "Compensation Analysis Framework" and makes recommendations to the Committee about the structure of the compensation program and individual arrangements. The CEO is generally present at Committee meetings when compensation, other than his own, is considered and approved. However, approval rests solely with the Committee.

The Committee has engaged Frederic W. Cook & Co. as its independent compensation consultant to advise the Committee periodically on the compensation program structure and individual compensation arrangements. The consultant was selected by the Committee and does not provide any other services to the Company. In addition, the Company has conducted a review of the Committee's relationship with its compensation consultant, and has identified no conflicts of interest. The consultant attends Committee meetings from time to time, presents an annual briefing on general and retail-industry compensation trends and developments, and is also available to the Committee outside of meetings as necessary. The consultant reports directly to the Committee, although the consultant meets with management from time to time to obtain information necessary to advise the Committee.

## **Elements of Compensation**

The main components of our executive compensation program are:

Base salary;

Annual cash incentive bonus; and

Long-term incentives.

We have chosen these elements because we believe each supports achievement of one or more of our compensation objectives, and that together they have been and will continue to be effective in this regard. We also provide our executives with benefits and limited perquisites that are available to a broader group of employees or that are intended to maximize productivity.

The use and weight of each compensation element is based on the judgment of the Committee regarding the importance of each compensation objective in supporting the Company's business and talent strategies, as well as the structure of these elements for executives at other companies. Base salary, benefits and perquisites represent less than half of each executive's potential compensation at target performance levels, to emphasize the importance of performance-based compensation.

### ***Base Salary***

Base salaries are set at a level that the Committee believes will effectively attract and retain top talent, considering the factors described above under "Compensation Analysis Framework." In addition, the Committee considers the impact of base salary changes on other compensation

components where applicable. Potential deferred compensation accumulation and severance benefits

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are also impacted when base salaries are changed, but these effects are generally not considered when making base salary decisions. The Committee reviews base salaries for executives in the first fiscal quarter, and as needed in connection with promotions or other changes in responsibilities. The table below summarizes base salaries during fiscal 2013, and changes that occurred during the year.

<b>Named Executive</b>	<b>Base Salary on 2/3/2013</b>	<b>Base Salary on 2/1/2014</b>	<b>Comments</b>
Glenn Murphy	\$1,500,000	\$1,500,000	
Sabrina Simmons	\$775,000	\$825,000	Salary was increased in March 2013 as part of the annual review to position Ms. Simmons appropriately relative to other executives.
Jack Calhoun	\$900,000	\$900,000	
Arthur Peck	\$900,000	\$900,000	
Stephen Sunnucks	\$1,004,608	\$1,052,096	Salary (paid in British pound sterling) was unchanged. The exchange rate as of the last business day of fiscal 2012 and fiscal 2013 was used to convert Mr. Sunnucks' base salary (£640,000) to U.S. dollars for purposes of this presentation.

***Annual Incentive Bonus*****Fiscal 2013 Annual Bonus**

The Company has an annual cash incentive bonus program for executives to motivate and reward achievement of financial and individual objectives and to provide a competitive total compensation opportunity. Mr. Murphy's annual incentive bonus was based exclusively on earnings and net sales performance (weighted 75% and 25%, respectively) given his role as CEO and direct accountability for operating results. For executives other than Mr. Murphy, the annual incentive bonus was based on two components:

1. 75% of their total opportunity was based on the financial performance of the Company or a division of the Company (of this, 75% was based on earnings, given the importance of accountability for operating results, and 25% on net sales, to drive top-line focus).
2. 25% of their total opportunity was based on subjective individual objectives, to recognize results outside of the earnings and net sales goals.

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In setting the fiscal 2013 annual bonus structure, the Committee considered the Company's business priorities and the factors described above under Compensation Analysis Framework. In light of the significant increase to the responsibilities of President level positions resulting from our transition to a global brand management structure, the target and maximum percentage of base salary was increased for these positions. Mr. Murphy's target and maximum percentage of base salary remained unchanged and is higher than other executives to ensure competitiveness and to recognize the impact of his role relative to other executives. The table below describes the target annual bonus and potential payout range for each executive.

Name	Target Percentage of Base Salary	Potential Payout Range as a Percentage of Base Salary
Glenn Murphy	150%	0 - 300%
Sabrina Simmons	75%	0 - 150%
Jack Calhoun	100%	0 - 200%
Arthur Peck	100%	0 - 200%
Stephen Sunnucks	100%	0 - 200%

*Financial Performance Component*

Bonus payments based on financial performance are generally made under the Executive Management Incentive Compensation Award Plan (Executive MICAP). The Committee approves threshold, target and maximum performance goals at the beginning of each performance period. Bonuses are paid under the financial performance component only if threshold goals are exceeded. The Committee may reduce (but not increase) earned bonuses under this component. Actual bonuses are generally paid in March.

Bonuses for fiscal 2013 financial performance were based on earnings (weighted 75%) and net sales (weighted 25%) goals. Earnings and net sales were used to measure both Company and division performance, in both cases subject to potential adjustment for certain items such as extraordinary and non-recurring items. The earnings measure was selected for fiscal 2013 and weighted more heavily because the Committee believed that earnings should continue to be a focus of executives and is a good measure of actual operating performance within their control and accountability. The net sales measure is intended to drive top-line focus and to promote continued focus on growing market share. Measuring both earnings and net sales diversifies performance metrics, and we believe it provides an appropriate balance between cost management and top line performance.

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The table below shows fiscal 2013 earnings and net sales goals expressed as a percentage of fiscal 2012 actual results. Goals for fiscal 2013 were set at levels that required improvement from 2012 results for executives to earn target payouts given our expected performance at the time goals were established. Goals were also set at a level intended to provide a meaningful incentive to executives to improve performance. Also shown are the actual weighted percentages achieved expressed as a percentage of fiscal 2012 actual results after adjustments to exclude certain immaterial non-recurring costs. For Executive MICAP participants who were subject to Gap Inc. goals, the Committee used discretion to reduce the payouts to a level equal to what would have been achieved if certain adjustments at the Gap Inc. level for foreign exchange fluctuations had not been included. The actual percentages achieved for Mr. Murphy and Ms. Simmons in the tables below reflect this reduction. No other adjustments to the results were made other than the use of budgeted foreign exchange rates to eliminate currency fluctuations.

Name	Company / Division	2013 Earnings / Net Sales Goals as a Percentage of Fiscal 2012 Actual Earnings / Net Sales (1)			Actual Fiscal 2013 Percentage Achieved After Adjustments	
		Threshold	Target	Maximum	Earnings	Net Sales
Glenn Murphy	Gap Inc.	100% / 103%	109% / 104%	115% / 106%	111%	104%
Sabrina Simmons	Gap Inc.	100% / 103%	109% / 104%	115% / 106%	111%	104%
Jack Calhoun	Banana Republic Global	99% / 102%	110% / 105%	117% / 106%	101%	101%
Arthur Peck	Growth, Innovation & Digital	108% / 110%	119% / 117%	127% / 123%	115%	125%
Stephen Sunnucks	Gap Global	99% / 101%	115% / 104%	121% / 105%	113%	102%

**Footnote**

(1) 2012 Gap Global, Banana Republic Global and Growth, Innovation & Digital Actuals have been computed using 2013 budgeted foreign exchange rates.

*Individual Objectives Component*

Executives other than the CEO were eligible to receive bonuses based on individual and organizational objectives. At the beginning of the year, an average of over 20 objectives were established for each executive's business unit or function(s). For fiscal 2013, these objectives consisted of initiatives centered on three key themes: (1) People, which included global brand structure implementation, talent attraction and retention, and process simplification; (2) Growth, which included omni-channel and digital innovation, investment in global store growth, and organization efficiency; and (3) Investment, which included traffic improvement, maximization of return on product and marketing investments, and infrastructure improvement. In each case, there were additional specific subcategories of goals.

In addition to the organizational objectives listed above, each executive also had individual objectives specific to his or her role.

The extent to which these objectives were met, partially met, or exceeded was assessed qualitatively by the CEO at the end of the fiscal year. In this regard, while certain of the objectives had quantitative components, there was no formulaic link between the extent to which a particular objective was satisfied and the ultimate payout that an executive received. The CEO had the discretion to take only some of the goals into account, and could consider some of them more heavily than others. In addition, in judging each executive's individual performance, the CEO took into account any additional initiatives and challenges that the executive faced over the course of the year. Payout amounts were then recommended to the Committee for consideration and approval.

**Table of Contents***Actual Bonuses*

For fiscal 2013, performance against target earnings and net sales goals applicable to each executive was mixed, and payouts reflect the different performance outcomes. The table below describes the calculation of the actual bonus for fiscal 2013 for each eligible executive.

Name	Base Salary	x	Target Percentage of Base Salary	x	(	Actual Percentage Achieved: Financial Performance Component (2) (3)	x	Weight	+	Actual Percentage Achieved: Individual Objectives Component (2)	x	Weight )	=	Actual Bonus
Glenn Murphy	\$1,500,000	x	150%	x	(	119%	x	100%	+	N/A	x	N/A )	=	\$2,675,567
Sabrina Simmons	\$818,269	x	75%	x	(	119%	x	75%	+	180%	x	25% )	=	\$823,500
Jack Calhoun	\$900,000	x	100%	x	(	15%	x	75%	+	102%	x	25% )	=	\$331,099
Arthur Peck	\$900,000	x	100%	x	(	101%	x	75%	+	173%	x	25% )	=	\$1,072,869
Stephen Sunnucks (1)	\$1,052,096	x	100%	x	(	76%	x	75%	+	154%	x	25% )	=	\$1,005,657

**Footnotes**

(1) Mr. Sunnucks is paid in British pound sterling. For presentation purposes, his base salary of £640,000 and his bonus of £611,751 were converted to U.S. dollars using the exchange rate as of the last business day of fiscal 2013.

(2) Actual percentages achieved are rounded for presentation.

(3) If the Committee's discretion had not been applied as described above, the actual percentage achieved would have been 163% for Mr. Murphy and Ms. Simmons.

**Long-Term Incentives**

Stock-based long-term incentives align executive compensation and shareholder returns by linking a significant portion of total compensation to the performance of the Company's stock. Unlike some of the members of our peer group, the Company does not have a pension plan, and we rely on long-term incentives to provide a substantial percentage of each executive's potential retirement savings. Stock-based awards are granted under our 2011 Long-Term Incentive Plan (the Plan), which was approved by our shareholders.

Long-term incentives are typically granted annually to executives (or, in the case of new executives, at the time they join the Company). However, there may also be grants in connection with promotions, to promote retention, and/or to create focus on specific performance objectives. Annual long-term incentive awards have typically consisted of stock options and, based on achievement of performance goals, stock units or performance shares. The Committee also grants stock units that vest based on continued service with the Company specifically to promote retention.

In determining the long-term incentive structure and award amounts, the Committee considered the factors described above under Compensation Analysis Framework, including a review of each individual's accumulated vested and unvested awards, the current and potential realizable value over time using stock appreciation assumptions, vesting schedules, comparison of individual awards between executives and in relation to other compensation elements, shareholder dilution and accounting expense.

**Stock Options**



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We believe stock options focus executives on managing the Company from the long-term perspective of an owner. Stock options provide value to the recipient only if the price of our stock increases. Because of this inherent linkage to increased shareholder returns, we believe stock options

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are an important component of executive long-term incentive compensation. However, we believe that this component as a percentage of total long-term incentive grant value should typically be weighted at less than 50% to balance performance focus and mitigate potential compensation-related risk, so that the majority of long-term incentive value at grant is placed on full-value awards including those subject to achievement of performance goals. Consistent with prior grant practice, the Committee approved grants of stock options in the first quarter of fiscal 2013. Award amounts were differentiated based on the executive's role in the organization and competitive practice. Grant amounts were increased for executives in President level positions in recognition of expanded responsibilities associated with our transition to a global brand management structure, and for the CFO to maintain appropriate positioning and alignment. No stock options were granted to the CEO in 2013 in light of the significant performance share grant he received in 2012, as described below.

*Stock Units and Performance Shares*

A portion of long-term incentives is delivered in units representing full-value shares of our stock to drive performance, promote retention and foster a long-term ownership perspective. Unlike stock options, full-value share awards, in combination with stock ownership requirements, subject executives to the same downside risk experienced by shareholders but still encourage retention if our stock price does not appreciate, and help to focus executives on sustaining the value of the Company. In general, we believe the grant or vesting of a significant percentage of full-value shares for executives should be based on performance against annual or long-term objectives unless they are made to offset compensation from prior employment in the case of new hires. However, to balance the Company's performance, retention, and ownership objectives, in the past we have granted stock units or other full-value shares that vest only for continued service with the Company, and we may do so in the future.

*2012 CEO Performance Shares*

During 2012, the Committee approved a grant of performance shares to Mr. Murphy in order to 1) provide a strong incentive for successful execution on the Company's growth strategies and improvement in the financial performance in fiscal 2012, 2013 and 2014, and 2) ensure the retention of Mr. Murphy during this important period for the Company.

The 2012 performance share grant was designed to pay for performance over a three-year period. The target number of shares that may be earned is an aggregate of 1,000,000, with a potential range at the time of grant of 0 to 2,000,000 shares. Actual shares earned will be based on attainment of annual earnings goals for each of fiscal years 2012, 2013 and 2014, and the target number of shares will be allocated evenly across the three years. No shares for a given year will be earned if threshold performance is not achieved. The same threshold, target, and maximum earnings goals described above under *Fiscal 2013 Annual Bonus* applied to the 2013 performance year for Mr. Murphy's performance share grant, without Committee discretion to reduce the amount earned. Any shares earned under the 2012 performance share grant will vest 100% in January 2015.

The strategic rationale for selecting performance shares was to link Mr. Murphy's compensation to changes in our stock price and returns to our shareholders over an extended period, helping to balance risks and potential rewards. The use of annual earnings goals over a three-year period maintains our ability to set realistic goals while creating focus on results over a longer time horizon and a stronger linkage to overall long-term company results, and maintains a reasonable level of alignment with how other executives are measured under the Long-Term Growth Program described below. The Committee believes that this performance share grant strikes an appropriate balance between meeting our compensation objectives and establishing performance goals over a timeframe that is realistic, and will appropriately reward Mr. Murphy if superior financial performance is achieved.

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In light of this grant, the Committee expects that there will be no additional equity grants to Mr. Murphy through at least fiscal 2014. The Committee views the annualized value of this grant over the three-year period to be of sufficient value to cover three years worth of equity grants to Mr. Murphy.

The table below describes the actual percentage achievement level for the fiscal 2012 and 2013 portions of the performance share grant. Final achievement and the overall number of actual shares are still subject to achievement of annual earnings goals that will be set at the beginning of fiscal 2014. The extent to which the goals are satisfied will be certified by the Committee at the end of the three-year cycle.

	CEO Performance Shares Year 1 & 2 (2012 & 2013)		Actual
	Target Shares	Percentage	
		Achieved (1)(2)	Actual Shares (3)
Year 1	333,333	200%	666,666
Year 2	333,333	189%	631,260

**Footnotes**

(1) For fiscal 2013, the earnings percentage achieved, expressed as a percentage of fiscal 2012 actual results and corresponding to the threshold, target, and maximum goals in the table on page 35, was 115%.

(2) Actual percentages achieved are rounded for presentation.

(3) Shares will vest in January 2015.

**LGP (Long-Term Growth Program)**

Executives are eligible to participate in the LGP, which is intended to promote sustained improvement in financial performance and long-term value creation for shareholders, while taking into account the inherent difficulty in setting long-term performance goals in the volatile retail industry. In light of the performance share grant Mr. Murphy received that is described above, he did not receive a grant under the LGP in fiscal 2012 or 2013. The key features of the program are described below:

Each executive is eligible to receive an annual performance share award. Performance shares give the executive the right (subject to Committee discretion to reduce but not increase awards) to receive a number of shares of our stock based on achievement against performance goals during a specified three-year performance period. Actual shares, if any, will vary based on achievement of the performance goals.

The number of actual shares at the end of three years is based on two performance metrics: 1) average attainment of separate annual earnings goals that are established each year over three years, measured at the division level for Division Presidents and the corporate level for those with company-wide responsibilities, and 2) attainment of a cumulative company earnings goal set at

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the beginning of the same three-year period. The potential payout range as a percentage of the target award based on average annual earnings attainment is 0% to 250%. The award is modified up or down by up to 20% (for a maximum opportunity of 300% of target) based on the level of attainment of the cumulative company earnings goal.

If earned, 50% of the award is payable at the end of the three-year performance period, and the remaining 50% is subject to a one-year vesting schedule based on continued service with the Company.

In selecting performance shares, the Committee considered the same factors described above under 2012 CEO Performance Shares .

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For LGP participants who were subject to Gap Inc. goals in 2013, the Committee used discretion to reduce the 2013 payout percentage for all outstanding LGP awards to a level equal to what would have been achieved if certain adjustments at the Gap Inc. level for foreign exchange fluctuations had not been included.

The table below describes the potential payout range as a percentage of the target award for the fiscal 2013-2015 performance period. The target number of shares was determined using our closing stock price on the date of grant and a percentage of base salary. The target percentage of base salary was increased for President level positions in recognition of expanded responsibilities associated with our transition to a global brand management structure, and for the CFO to maintain appropriate positioning and alignment. The performance share grants represent only an opportunity to earn actual shares of the Company's stock based on achievement of performance goals over three years. The associated amount listed in the Summary Compensation Table under Stock Awards is the grant date fair value for accounting purposes, which is the required disclosure under SEC rules, not necessarily the compensation that will be actually realized by each executive. For example, based on our performance in 2011-2013, the actual award Mr. Sunnucks received under his fiscal 2011 LGP grant was below the target number of shares. The same threshold, target, and maximum earnings goals described above under "Fiscal 2013 Annual Bonus" applied to the 2013 performance year under the LGP. All payments are in shares at vesting and dividends are not paid or accrued on unvested shares.

**Fiscal 2013 Award Potential Payout**

Name	Percentage of Base Salary	Target Number of Performance Shares	Potential Payout Range as Percentage of Target Shares
Sabrina Simmons	150%	33,950	0 - 300%
Jack Calhoun	150%	37,037	0 - 300%
Arthur Peck	150%	37,037	0 - 300%
Stephen Sunnucks	150%	39,787	0 - 300%

The table below describes for each eligible executive, the actual achievement levels and actual shares for the LGP awards for the completed fiscal 2011-2013 performance period. The annual goal for fiscal 2011 was weighted for presentation in the table below based on the two separate six-month goals used in fiscal 2011.

**Fiscal 2011 Award Achievement  
Year 1, Year 2, & Year 3**

Name	Target Shares	(2011-2013)				Three Year Average	Actual Cumulative Company Earnings Goal Modifier	Actual Percentage Achieved (1)(2)	Actual Shares (2)
		Actual	Percentage	Achieved	(1)				
Glenn Murphy	206,516	88%	250%	163%	167%	-10%	150%	310,371	
Sabrina Simmons	34,419	88%	250%	163%	167%	-10%	150%	51,728	
Jack Calhoun	35,566	115%	244%	60%	140%	-10%	126%	44,683	
Arthur Peck	39,008	71%	250%	84%	135%	-10%	121%	47,385	
Stephen Sunnucks	42,335	33%	0%	92%	42%	-10%	38%	15,887	

**Footnotes**

(1) If the Committee's discretion had not been applied as described above, the actual percentage achieved for 2013 would have been 234% for Mr. Murphy and Ms. Simmons, and their overall actual percentage achieved would have been 172%.

(2) Actual percentage achieved is rounded for presentation and is the three-year average reduced by the cumulative Company earnings goal modifier. Actual shares is the product of the target shares and the actual percentage achieved.

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The table below describes, for each eligible executive, the actual percentage achievement levels for the completed fiscal years under the LGP awards for the fiscal 2012-2014 and fiscal 2013-2015 performance periods. Final achievement and actual shares for the outstanding fiscal 2012-2014 and fiscal 2013-2015 performance periods are still subject to the remaining performance periods and the cumulative company earnings goal over the same three-year performance period.

Name	Target Shares	Fiscal 2012 Award Achievement		Fiscal 2013 Award Achievement
		Year 1	Year 2	Year 1
		(2012)	(2013)	(2013)
		Actual Percentage Achieved	Actual Percentage Achieved (1)	Actual Percentage Achieved (1)
Sabrina Simmons	30,888	250%	163%	33,950 163%
Jack Calhoun	32,881	244%	60%	37,037 60%
Arthur Peck	33,878	250%	84%	37,037 84%
Stephen Sunnucks	35,535	0%	92%	39,787 92%

**Footnote**

(1) If the Committee's discretion had not been applied as described above, the actual percentage achieved for 2013 would have been 234% for Ms. Simmons.

**Special Stock Unit Grants**

In March 2013, Mr. Calhoun and Mr. Peck each received a stock unit grant of 50,000 shares and Mr. Sunnucks received a stock unit grant of 82,304 shares in light of their expanded responsibilities and to promote retention and further alignment with shareholder interests. In determining award amounts and recipients, the Committee considered the factors described above under Compensation Analysis Framework and used its judgment to identify the value required to help retain each executive, placing significant weight on Mr. Murphy's recommendations. The grants will vest 50% two years following the grant date to create a retention incentive for a shorter time horizon and 50% three years following the grant date to promote longer-term retention.

**Long-Term Incentive Grant Practices**

It has been our practice to grant long-term incentives to executives on an annual basis, usually in the first quarter of each fiscal year. This timing was selected because it follows the release of our annual financial results and completion of annual performance reviews. We also grant long-term incentives on other dates to newly hired executives and periodically in connection with promotions or for special recognition and retention. Grants are typically approved by the Committee at a meeting and are effective on the meeting date or, if approved by unanimous written consent, the date of the last signature on the consent. However, the effective date for new hires is no earlier than the first day of employment. Grants to employees below the Vice President level are approved by the CEO or Committee Chair on a monthly basis using authority delegated by the Committee, typically for new employees hired in the prior month.

All stock options granted to employees during fiscal 2013 had an exercise price equal to the closing price of our stock on the date of grant.



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Stock options typically vest based on continued service at a rate of 25% annually beginning one year from the grant date, which we have determined helps meet our retention objectives. We have also used other vesting schedules to align with timing of compensation being forfeited at a prior employer for new hires or to align with critical retention periods. Stock options are typically granted for a maximum term of ten years and vested options are exercisable for three months following employment termination. Vesting is generally accelerated upon death or retirement if the stock options are held for at least one year.

Stock units that are granted to executives other than the CEO have in most cases been scheduled to vest over three years, but the schedule may differ based on critical retention or performance periods, or the vesting of compensation being forfeited at a prior employer for new hires. Executives generally must be employed on the vesting date or awards are forfeited. Vesting is generally accelerated upon death or retirement if the awards are held for at least one year and any performance conditions have been previously satisfied. Additional circumstances under which vesting on long-term incentives may be accelerated is described on page 53 of this proxy statement.

**Stock Ownership Requirements for the Global Management Team / Hedging and Pledging Prohibitions**

In 2004, we adopted minimum stock ownership requirements for certain executive positions to more closely link executive and shareholder interests, to balance potential rewards and risks, and to encourage a long-term perspective in managing the Company. Each covered executive has five years from December 1, 2004 (or from the first day named as a covered executive) to reach the requirement.

As of February 1, 2014, all covered executives had either met the shares requirement in the table below or had remaining time to do so.

	<b>Requirements (shares)</b>
CEO	300,000
Division President	75,000
Corporate Executive Vice President	40,000
Other global management team member	20,000

Executives not meeting the requirement must retain 50% of after-tax shares acquired through stock compensation programs until the requirement is reached.

For purposes of determining stock ownership levels, in addition to shares held directly, certain forms of equity interests in the Company count towards the stock ownership requirement, including non performance-based stock units (vested or unvested) and shares held within a 401(k) Plan. A complete description of the requirements, including a complete list of accepted forms of ownership, is located at [www.gapinc.com](http://www.gapinc.com) (follow the Investors, Governance, Executive Stock Ownership links).

The Company's insider trading policy applicable to executives prohibits speculation in the Company's stock, including short sales, hedging or publicly-traded option transactions. We also prohibit executives from pledging Company stock as collateral for a loan or for any other purpose.

**Benefits and Perquisites**

Executives generally are eligible for the same health and welfare plans as other full-time Gap Inc. employees, including medical, dental, life and disability insurance, and retirement plans. Although not a significant part of total compensation, we also provide limited additional benefits and

perquisites

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to our executives, which we believe are reasonable and consistent with our overall compensation objectives to better enable the Company to attract and retain executive talent. These perquisites and benefits include: financial planning services or an allowance, as executives typically have more complex financial planning requirements; participation in a deferred compensation plan that is offered to all highly compensated employees, as a means to help meet retirement savings goals; and matching charitable donations, up to certain annual limits, which are available to all employees.

For Mr. Murphy only, the Company provides limited personal use of a Company airplane at an amount not to exceed \$200,000 per year based on the incremental cost to the Company (the cost in 2013 was \$112,337), in order to provide an efficient way for Mr. Murphy to manage travel time and commitments. The Company also reimburses Mr. Murphy up to \$75,000 (gross) for financial planning services on a fiscal year basis given the unique complexity of his financial arrangements.

Mr. Sunnucks began an expatriate assignment from England to the United States in 2012. Certain expenses arising from the assignment such as travel costs, housing, and taxes are covered under our long-term international assignment policy, which is intended to minimize any financial detriment or gain. Mr. Sunnucks continues to participate in benefit programs applicable to United Kingdom employees.

The value of the benefits and perquisites received by our executives are described in more detail in the footnotes to the Summary Compensation Table on page 47.

## **Post-Termination Arrangements**

### ***CEO***

The terms of Mr. Murphy's post-termination benefits were initially determined through the course of arms-length negotiations of his employment agreement in 2007. As part of these negotiations, the Committee considered competitive practice at selected peer group companies and general industry, accounting and tax implications, and the potential compensation that could be realized at multiple future points in time using a wealth accumulation analysis. We entered into the termination of employment provisions in order to address competitive concerns when Mr. Murphy was recruited by providing fixed compensation amounts that would offset the potential risk of joining the Company and foregoing other opportunities. Enhanced benefits in the case of a change in control of the Company were also included for the same reasons and to help ensure retention of Mr. Murphy and continuity in the case of a potential or actual change of control. These benefits do not include tax gross ups for additional taxes that may be due under Section 280G and only provide for acceleration of outstanding equity in the event of an actual change in control and termination of employment. The Committee determined that the benefits and structure were well within normal competitive practice, reasonable and appropriate for the circumstances, and were necessary to attract Mr. Murphy to the Company. In addition, while compensation decisions affect potential payouts under severance arrangements, those arrangements generally did not affect decisions on other compensation elements as these severance provisions may never come into effect.

In addition, the performance shares under the 2012 grant to Mr. Murphy described on page 37 will continue to vest, to the extent applicable performance goals are achieved, if his employment terminates under specified circumstances during the third year of the award. Shares may also continue to vest, to the extent applicable performance goals are achieved, if Mr. Murphy's employment terminates under specified circumstances in connection with a change in control. The value of the award that vests or continues to vest under these provisions will be offset by the estimated value of other post-termination payments under his original employment agreement with the Company.

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The provisions above are described in more detail on page 53.

### ***Executives Other Than the CEO***

Post-termination arrangements are intended to provide income security in case of an involuntary termination other than for cause. Post-termination benefits have typically included base salary continuation, payments in lieu of health and welfare benefits continuation and continued financial planning services. These post-termination payments typically stop or are reduced if the executive secures other employment. Post-termination benefits also include limited accelerated vesting of certain restricted stock units and performance shares that remain subject to only time vesting conditions as well as payment of a prorated annual bonus for the fiscal year in which the termination occurs, provided that at least three months of the fiscal year have been completed. The Company may also grant post-termination benefits as part of a negotiated termination of employment in exchange for a release of claims against the Company and other agreements in the Company's interests.

There are no tax gross-ups or enhanced benefits in the case of a change in control of the Company. The Committee believes that, based on its analysis, the benefits are appropriate relative to peer group practices. While compensation decisions affect potential payouts under severance arrangements, those arrangements generally did not affect decisions on other compensation elements as these severance provisions may never come into effect.

The post-termination benefits for executives are described in more detail on page 54.

## **Accounting and Tax Considerations**

Accounting, tax and related financial implications to the Company and executives are considered during the analysis of our compensation and benefits program and individual elements. Overall, the Committee seeks to balance attainment of our compensation objectives with the need to maximize current tax deductibility of compensation that may impact earnings and other measures of importance to shareholders. The Committee determined that the accounting and tax impacts described below were reasonable in light of our objectives.

In general, base salary, annual cash incentive bonus payments, and the costs related to benefits and perquisites are recognized as compensation expense at the time they are earned or provided. Share-based compensation expense is recognized in our consolidated statements of income for stock options, stock units, and performance shares.

Subject to the exceptions and limits below, we deduct for federal income tax purposes all payments of compensation and other benefits to executives. We do not deduct deferred compensation until the year that the deferred compensation is paid to an executive.

Section 162(m) of the Internal Revenue Code generally does not allow a tax deduction to public companies for compensation over \$1,000,000 paid to the principal executive officer or any of the three most highly compensated executive officers (other than the principal executive officer or principal financial officer) unless the compensation is based on attainment of pre-established objective performance goals and certain other requirements are met. It is the Company's preference to qualify executive compensation as deductible under Section 162(m) where we determine it is consistent with the Company's interests and compensation objectives. Our compensation plans have generally been designed to permit awards that qualify as deductible under Section 162(m). However, the individual objectives component of the annual incentive bonus is qualitative in nature and is subject to the deduction limits of Section 162(m). In addition, stock units, other than performance shares, that have vesting based only on continued service are also subject to the deduction limits of Section 162(m).

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Section 4999 and Section 280G of the Internal Revenue Code provide that executives could be subject to additional taxes if they receive payments or benefits that exceed certain limits in connection with a change in control of the Company and that the Company could lose an income tax deduction for such payments. We have not provided any executive with tax gross ups or other reimbursement for tax amounts the executive might be required to pay under Section 4999.

## **Recovery and Adjustments to Awards**

Subject to the approval of the Board, the Company will 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 Company's global management team after April 1, 2007 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, the Company will seek to recover the individual executive's entire annual bonus or award for the relevant period, plus a reasonable rate of interest.

## **COMPENSATION COMMITTEE REPORT**

The Compensation and Management Development Committee (the Committee) has reviewed and discussed this Compensation Discussion and Analysis with management. Based on the review and discussions, the Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Company's annual report on Form 10-K for the fiscal year ended February 1, 2014 and the Proxy Statement for the 2014 Annual Meeting of Shareholders.

*Adrian D.P. Bellamy (Chair)*

*Domenico De Sole*

*Bob L. Martin*

*Katherine Tsang*

**Table of Contents****Summary Compensation Table**

The following table shows compensation information for fiscal 2013 which ended February 1, 2014, for our CEO, CFO and the three other most highly compensated executive officers at year-end, as required under SEC rules ( named executive officers ). The table also shows compensation information for fiscal 2012 and fiscal 2011, which ended February 2, 2013 and January 28, 2012, respectively, for those named executive officers who also were named executive officers in either of those years.

Name and Principal Position	Fiscal Year	Salary (\$ (1))	Bonus (\$)	Stock Awards (\$ (2) (3))	Awards (\$ (3) (4))	Option Compensation (\$ (5))	Change in Pension Value and Nonqualified Deferred Incentive Plan Compensation Earnings (\$ (6))	All Other Compensation (\$ (7))	Total (\$)
<b>Glenn Murphy</b>	2013	\$ 1,500,000	\$ 0	\$ 14,200,512	\$ 0	\$ 2,675,567	\$ 0	\$ 350,833	\$ 18,726,912
Chairman and CEO	2012	1,500,000	0	18,267,270	0	4,500,000	0	360,542	24,627,812
	2011	1,500,000	0	3,119,506	3,174,120	1,706,906	0	210,968	9,711,500
<b>Sabrina Simmons</b>	2013	818,269	0	1,156,744	741,285	823,500	0	63,637	3,603,435
EVP and CFO	2012	771,635	0	3,154,350	600,590	1,099,670	0	60,701	5,686,946
	2011	746,635	0	449,286	529,020	528,600	0	58,985	2,312,526
<b>Jack Calhoun</b>	2013	900,000	0	2,976,850	658,920	331,099	0	66,689	4,933,558
Global President, Banana Republic									
<b>Arthur Peck</b>	2013	900,000	0	3,029,232	658,920	1,072,869	0	51,998	5,713,019
President, GID	2012	861,538	0	2,030,326	600,590	1,230,959	0	51,645	4,775,058
	2011	849,231	0	2,039,498	529,020	410,434	0	50,445	3,878,628
<b>Stephen Sunnucks (8)</b>	2013	1,406,455	0	4,248,819	741,285	1,005,657	0	1,722,081	9,124,297
Global President, Gap	2012	921,383	0	3,247,284	600,590	287,817	0	767,072	5,824,146

**Footnotes**

- (1) The amounts in this column for Ms. Simmons in fiscal 2011, 2012 and 2013, for Mr. Peck in fiscal 2011 and 2012, and for Mr. Sunnucks in fiscal 2012, reflect the prorated payment of their salaries based on changes during the year. Base salary changes in fiscal 2013 are further described on page 33 of the Compensation Discussion and Analysis section.
- (2) This column reflects the aggregate grant date fair value for awards of stock during fiscal 2013, 2012 and 2011, computed in accordance with FASB ASC 718. These amounts reflect the grant date fair value, and do not necessarily represent the actual value that may be realized by the named executive officers. For 2011, this column includes both (a) the grant date fair value of the target number of shares that may be earned under the Company's Long-Term Growth Program ( LGP ) with respect to year 2 of a three-year performance period beginning in fiscal 2010 ( LGP 1 ) and (b) the grant date fair value of the target number of shares that may be earned under the LGP with respect to year 1 of a three-year performance period beginning with fiscal 2011 ( LGP 2 ). For 2012, this column includes (a) the grant date fair value of the target number of shares that may be earned under the LGP with respect to year 3 of LGP 1, (b) the grant date fair value of the target number of shares that may be earned under the LGP with respect to year 2 of LGP 2, and (c) the grant date fair value of the target number of shares that may be earned under the LGP with respect to year 1 of a three-year performance period beginning with fiscal 2012 ( LGP 3 ). For 2013, this column includes (a) the grant date fair value of the target number of shares that may be earned under the LGP with respect to year 3 of LGP 2, (b) the grant date fair value of the target number of shares that may be earned under the LGP with respect to year 2 of LGP 3, and (c) the grant date fair value of the target number of shares that may be earned under the LGP with respect to year 1 of a three-year performance period beginning with fiscal 2013 ( LGP

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4 ). See page 39 of the Compensation Discussion and Analysis section for actual shares granted under LGP 2. Mr. Murphy did not receive LGP grants in fiscal 2012 or 2013.

**Table of Contents****Footnotes (continued)**

For Mr. Murphy, (a) this column for 2013 also includes the aggregate grant date fair value (at \$35.26 per share) based on the probable outcome with respect to year 2 of a three-year performance period under the performance share grant he received on May 4, 2012 ( CEO Performance Share Grant ), and (b) this column for 2012 also includes the aggregate grant date fair value (at \$26.72 per share) based on the probable outcome with respect to year 1 of a three year performance period under the CEO Performance Share Grant. The total grant date fair value of the CEO Performance Share Grant granted to Mr. Murphy in fiscal 2012 if maximum performance conditions were achieved over the entire three-year period was \$68,873,347 using the per share grant date fair value for year 1, year 2, and year 3 of the three-year performance period (666,666 shares at \$26.72 per share, 666,666 shares at \$35.26 per share, and 666,668 shares at \$41.33 per share).

For Messrs. Calhoun, Peck and Sunnucks, this column also includes the aggregate grant date fair value of any restricted stock units granted during fiscal 2013, 2012 and 2011.

Details on the figures included in this column for 2013 are reflected in the following table. Details on the figures included in this column for 2012 and 2011 are included in our 2013 and 2012 Proxy Statements.

	LGP 2 (FY 2011 Grant)	LGP 3 (FY 2012 Grant)	LGP 4 (FY 2013 Grant)	Total Reported in Stock Awards Column	
	Year 3	Year 2	Year 1		
	Target Shares	Target Shares	Target Shares	Grant Date Fair Value	Grant Date Fair Value
	Grant Date Fair Value	Grant Date Fair Value	Grant Date Fair Value		
	(\$)	(\$)	(\$)	(\$)	(\$)
<b>Glenn Murphy</b>	2,447,191	n/a	n/a	11,753,321	<b>14,200,512</b>
<b>Sabrina Simmons</b>	407,865	359,948	388,931	0	<b>1,156,744</b>
<b>Jack Calhoun</b>	421,445	383,162	424,298	1,747,945	<b>2,976,850</b>
<b>Art Peck</b>	462,221	394,768	424,298	1,747,945	<b>3,029,232</b>
<b>Stephen Sunnucks</b>	501,646	414,101	455,815	2,877,257	<b>4,248,819</b>

The total grant date fair value of the LGP awards if maximum performance conditions were achieved over the entire three-year period under LGP 2, LGP 3 and LGP 4 are detailed in the following tables. The grant date fair value per share used in calculating the total grant date fair values below were as follows: year 1 of LGP 2 (\$20.27), year 2 of LGP 2 (\$23.85), year 3 of LGP 2 (\$35.55), year 1 of LGP 3 (\$23.37), years 2 and 3 of LGP 3 (\$34.96), and years 1, 2 and 3 of LGP 4 (\$34.37). The grant date fair value for year 2 of LGP 3 was used for year 3 of LGP 3, and the grant date fair value for year 1 of LGP 4 was used for years 2 and 3 of LGP 4.

Maximum Shares		Maximum Shares		Maximum Shares	
LGP 2	Total Grant Date Fair Value	LGP 3	Total Grant Date Fair Value	LGP 4	Total Grant Date Fair Value
(FY 2011 Cycle)	(\$)	(FY 2012 Cycle)	(\$)	(FY 2013 Cycle)	(\$)
Glenn Murphy	16,453,130	Glenn Murphy	n/a	Glenn Murphy	n/a
Sabrina Simmons	2,742,162	Sabrina Simmons	2,881,542	Sabrina Simmons	3,500,585
Jack Calhoun	2,833,543	Jack Calhoun	3,067,468	Jack Calhoun	3,818,885
Art Peck	3,107,767	Art Peck	3,160,479	Art Peck	3,818,885
Stephen Sunnucks	3,372,829	Stephen Sunnucks	3,315,060	Stephen Sunnucks	4,102,438



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For a description of the Company's Long-Term Growth Program, please see page 38 of the Compensation Discussion and Analysis section. For a description of the CEO Performance Share Grant, please see page 37 of the Compensation Discussion and Analysis section.

- (3) Please refer to Note 11, Share-Based Compensation, in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K filed on March 24, 2014 for the relevant assumptions used to determine the compensation cost of our stock and option awards. Please refer to the Grants of Plan-Based Awards table in this Proxy Statement and in our 2013 and 2012 Proxy Statements for information on awards actually granted in fiscal 2013, 2012 and 2011.
- (4) This column reflects the aggregate grant date fair value for awards of stock options during fiscal 2013, 2012 and 2011, computed in accordance with FASB ASC 718. These amounts reflect the grant date fair value, and do not necessarily represent the actual value that may be realized by the named executive officers.
- (5) The amounts in this column reflect the non-equity amounts earned by the named executive officers under the Company's annual incentive bonus plan.
- (6) No above-market or preferential interest rate options are available under our deferred compensation programs. Please refer to the Nonqualified Deferred Compensation table for additional information on deferred compensation earnings.

**Table of Contents****Footnotes (continued)**

(7) The amounts shown in the All Other Compensation column are detailed in the table below.

Name	Year	Personal		Tax	Deferred Compensation		401(k)		Disability Plan	Life Insurance	Relocation	Gift Matching	Other	Total
		Use of Airplane	Financial Counseling		Plan Match	Plan Match								
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)			
Glenn Murphy	2013	\$ 112,337	\$ 75,000	\$ 0	\$ 49,800	\$ 11,862	\$ 736	\$ 1,098	\$ 0	\$ 100,000	\$ 0	\$ 0	\$ 350,833	
	2012	56,087	75,000	0	52,308	10,000	961	1,186	0	100,000	65,000	0	360,542	
	2011	74,219	14,000	0	50,200	9,800	1,255	1,368	0	60,126	0	0	210,968	
Sabrina Simmons	2013	0	14,067	0	22,338	10,398	736	1,098	0	15,000	0	0	63,637	
	2012	0	14,000	0	21,942	10,112	961	1,186	0	12,500	0	0	60,701	
	2011	0	14,000	0	19,950	9,912	1,255	1,368	0	12,500	0	0	58,985	
Jack Calhoun Arthur Peck	2013	0	14,067	0	25,800	9,988	736	1,098	0	15,000	0	0	66,689	
	2013	0	14,067	0	25,800	10,297	736	1,098	0	0	0	0	51,998	
	2012	0	14,000	0	25,615	9,883	961	1,186	0	0	0	0	51,645	
Stephen Sannucks	2013	0	0	1,394,616	0	0	13,801	8,507	278,786	0	26,371	0	1,722,081	
	2012	0	32,571	214,628	0	0	5,216	65	495,756	0	18,836	0	767,072	

- (a) The Compensation and Management Development Committee determined that it was appropriate to provide Mr. Murphy use of a Company airplane for limited personal use (not to exceed \$200,000 per fiscal year in incremental cost to the Company). As required by SEC rules, the amounts shown are the incremental cost to the Company of personal use of the Company airplane and are calculated based on the variable operating costs to the Company, including fuel costs, mileage, trip-related maintenance, and other miscellaneous variable costs. Since the Company airplane is primarily used for business travel, fixed costs which do not change based on usage, such as the pilot's salary and maintenance costs unrelated to the trip, are excluded.
- (b) We provide certain executive officers access to financial counseling services, which may include tax preparation and estate planning services. We value this benefit based on the actual cost for those services. Beginning in fiscal 2012, Mr. Murphy was removed from the existing financial planning services program provided to other executives in favor of an annual reimbursement of expenses, given his complex circumstances and a review of the actual expenses he has incurred over time outside of the existing program.
- (c) For Mr. Sannucks, these amounts reflect tax reimbursements in connection with Mr. Sannucks' international assignment.
- (d) These amounts reflect Company matching contributions under the Company's nonqualified Deferred Compensation Plan for base salary deferrals representing the excess of the participant's base pay over the current IRS qualified plan limit (\$255,000 for calendar year 2013), which are matched at up to 4% of base pay, the same rate as is in effect under the Company's 401(k) plan.
- (e) These amounts reflect Company matching contributions under the Company's 401(k) Plan.
- (f) These amounts reflect premium payments for long-term disability insurance, which is available to benefits-eligible employees generally.
- (g) These amounts reflect premiums paid for life insurance provided to employees at the Director level and above.
- (h) For Mr. Sannucks, the amounts reflect costs in connection with his relocation from London to New York in 2012, including a special relocation payment of £250,000 in fiscal 2012, which is further described in the Compensation Discussion and Analysis section of our 2013 Proxy Statement.
- (i) These amounts reflect Company matching contributions under the Company's Gift Match Program, available to all employees, under which contributions to eligible nonprofit organizations are matched by the Company, up to certain annual limits. In fiscal 2013, the limit for the named executive officers was \$15,000, with the exception of Mr. Murphy who had an annual matching limit of \$100,000. The annual gift match eligibility limits are based on the executive's original donation date.
- (j) The amount in this column for Mr. Murphy reflects reimbursement of attorney fees he incurred in connection with the review of his CEO Performance Share Grant. The amounts in this column for Mr. Sannucks for fiscal 2012 and 2013 reflect a car allowance.

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- (8) Mr. Sunnucks' cash compensation is paid in British pound sterling. For presentation purposes, the exchange rate as of the last business day of fiscal 2012 (February 1, 2013) and fiscal 2013 (January 31, 2014) were used to convert Mr. Sunnucks' compensation to U.S. dollars.

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**Grants of Plan-Based Awards**

The following table shows all plan-based awards granted to the named executive officers during fiscal 2013, which ended on February 1, 2014. The option awards and the unvested portion of the stock awards identified in the table below are also reported in the Outstanding Equity Awards at Fiscal Year-End table.

Name	Estimated Future Payouts			Estimated Future Payouts			All Other			Grant Date	Fair Value of Stock and Option Awards		
	Under Non-Equity Incentive Plan Awards (1)			Under Equity Incentive Plan Awards (2)			Stock Awards:	All Other					
Grant Date	Approval Date	Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)	Units (#)	Options (#)	Exercise Price (\$)	Awards		
Glenn Murphy	3/18/13	3/18/13				0	333,333	666,666				\$ 11,753,322	
	N/A		\$ 2,250,000	\$ 4,500,000									
	3/18/13	3/18/13			30,977	68,838	206,516					2,447,191	
Sabrina Simmons	3/18/13	3/18/13								90,000	\$ 36.45	741,285	
	N/A		\$ 153,425	613,702	1,227,403								
	3/18/13	3/18/13				5,162	11,473	34,419				407,865	
	3/18/13	3/18/13				4,633	10,296	30,888				359,948	
	3/18/13	3/18/13				5,092	11,316	33,950				388,931	
Jack Calhoun	3/18/13	3/18/13									80,000	36.45	658,920
	3/18/13	3/18/13							50,000				1,747,945
	N/A		225,000	900,000	1,800,000								
	3/18/13	3/18/13				5,334	11,855	35,566				421,445	
	3/18/13	3/18/13				4,932	10,960	32,881				383,162	
	3/18/13	3/18/13				5,555	12,345	37,037				424,298	
Arthur Peck	3/18/13	3/18/13									80,000	36.45	658,920
	3/18/13	3/18/13							50,000				1,747,945
	N/A		225,000	900,000	1,800,000								
	3/18/13	3/18/13				5,851	13,002	39,008				462,221	
	3/18/13	3/18/13				5,081	11,292	33,878				394,768	
	3/18/13	3/18/13				5,555	12,345	37,037				424,298	
Stephen Sunnucks	3/18/13	3/18/13									90,000	36.45	741,285
	3/18/13	3/18/13							82,304				2,877,257
	N/A		160,000	640,000	1,280,000								
	3/18/13	3/18/13				6,350	14,111	42,335				501,646	
	3/18/13	3/18/13				5,330	11,845	35,535				414,101	
	3/18/13	3/18/13				5,968	13,262	39,787				455,815	

**Footnotes**

(1) The amounts shown in these columns reflect the estimated potential payment levels for the fiscal 2013 performance period under the Company's annual incentive bonus plan, further described on page 33 of the Compensation Discussion and Analysis section. The potential payouts were performance-based and, therefore, were completely at risk. The potential target and maximum payment amounts assume achievement of 100% and 200%, respectively, of the individual objectives component of the annual incentive bonus plan, described on page 35. The potential threshold payment amount only assumes 100% achievement of the individual objectives component and 0% achievement of the financial performance component. Each named executive officer received a bonus under the annual incentive bonus plan, which is reported in the Summary Compensation Table under the column entitled "Non-Equity Incentive Plan Compensation."

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**Footnotes (continued)**

(2) For Mr. Murphy, the numbers in this column for the grant with a target value of 333,333 shares reflect the threshold, target and maximum amounts for year 2 of a three-year performance period beginning in fiscal 2012 under the CEO Performance Share Grant, further described on page 37 of the Compensation Discussion and Analysis section.

The other amounts shown in these columns for each Executive reflect, in shares, (a) the threshold, target and maximum amounts for year 3 of a three-year performance period beginning in fiscal 2011 ( LGP 2 ), (b) the threshold, target and maximum amounts for year 2 of a three-year performance period beginning in fiscal 2012 ( LGP 3 ) and (c) the threshold, target and maximum amounts for year 1 of a three-year performance period beginning in fiscal 2013 ( LGP 4 ) under the Company's Long-Term Growth Program, further described on page 38 of the Compensation Discussion and Analysis section. Potential payouts are based on the applicable interpolated award values between the threshold, target, and maximum payout levels. The potential awards are performance-based and, therefore, completely at risk. The total number of shares that were actually granted for the entire three-year performance period under LGP 2 for each named executive was as follows: Mr. Murphy (310,371), Ms. Simmons (51,728), Mr. Calhoun (44,683), Mr. Peck (47,385), and Mr. Sunnucks (15,887). The total number of shares that could be earned if the target performance conditions are achieved over the entire three-year performance period under LGP 3 for each named executive is as follows: Ms. Simmons (30,888), Mr. Calhoun (32,881), Mr. Peck (33,878) and Mr. Sunnucks (35,535). The total number of shares that could be earned if the target performance conditions are achieved over the entire three-year performance period under LGP 4 for each named executive is as follows: Ms. Simmons (33,950), Mr. Calhoun (37,037), Mr. Peck (37,037) and Mr. Sunnucks (39,787).

Mr. Murphy did not receive LGP grants in fiscal 2012 and 2013. Please see footnote 4 to the Outstanding Equity Awards at Fiscal Year-End table for the maximum number of shares that may be earned under LGP 2, LGP 3 and LGP 4 if the maximum performance conditions are achieved over the remaining portion of the entire three-year period.

(3) The value of a stock award or option award is based on the fair value as of the grant date of such award determined pursuant to FASB ASC 718. Please refer to Note 11, Share-Based Compensation, in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K filed on March 24, 2014 for the relevant assumptions used to determine the valuation of our stock and option awards. For fiscal 2013, the grant date fair value of the Equity Incentive Plan Awards is based on the closing price of a share of our stock on the date that the awards were granted less future expected dividends during the vesting period, multiplied by the target number of shares that may be earned. For year 3 of LGP 2, the grant date fair value is \$35.55. For year 2 of LGP 3, the grant date fair value is \$34.96. For year 1 of LGP 4, the grant date fair value is \$34.37. For Mr. Murphy, this column also includes the grant date fair value (at \$35.26 per share) based on the probable outcome at the time of grant with respect to year 2 of a three-year performance period under the CEO Performance Share Grant. For the total grant date fair value of awards if maximum performance conditions are achieved over the entire three-year performance period under LGP 2, LGP 3, LGP 4 and the CEO Performance Share Grant, see footnote 2 to the Summary Compensation Table.

**Table of Contents****Outstanding Equity Awards at Fiscal Year-End**

The following table shows all outstanding equity awards held by the named executive officers at the end of fiscal 2013, which ended on February 1, 2014.

Name	Option Awards					Stock Awards			
	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#) (2)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Rights That Have Not Vested (#) (4)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
Glenn Murphy	400,000			\$ 16.44	8/3/2017				
	800,000			18.91	8/3/2017				
	300,000	300,000 (a)		21.79	3/14/2021			1,297,926 (a)	\$ 49,425,022
								310,371 (b)	11,818,928
Sabrina Simmons		25,000 (b)		23.07	3/15/2020				
		50,000 (c)		21.79	3/14/2021				
		75,000 (d)		25.09	3/12/2022				
		90,000 (e)		36.45	3/18/2023				
						100,000 (a)	\$ 3,808,000		
							51,728 (b)	1,969,802	
							9,266 (c)	352,849	
							5,092 (d)	193,903	
Jack Calhoun	56,250			19.68	3/17/2018				
	56,250			11.77	3/16/2019				
	60,000	20,000 (f)		23.07	3/15/2020				
	45,000	45,000 (g)		21.79	3/14/2021				
	25,000	75,000 (h)		25.09	3/12/2022				
		80,000 (i)		36.45	3/18/2023				
						25,000 (b)	952,000		
					37,500 (c)	1,428,000			
					50,000 (d)	1,904,000			
							44,683 (b)	1,701,529	
							9,864 (c)	375,621	
							5,555 (d)	211,534	
Arthur Peck		25,000 (j)		23.07	3/15/2020				
		50,000 (k)		21.79	3/14/2021				
		75,000 (l)		25.09	3/12/2022				
		80,000 (m)		36.45	3/18/2023				
						37,500 (e)	1,428,000		
						50,000 (f)	1,904,000		
						50,000 (g)	1,904,000		
							47,385 (b)	1,804,421	
							10,163 (c)	387,007	
							5,555 (d)	211,534	
Stephen Sunnucks		25,001 (n)		23.07	3/15/2020				
		50,000 (o)		21.79	3/14/2021				

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75,000 (p)	25.09	3/12/2022			
90,000 (q)	36.45	3/18/2023			
			50,000 (h)	1,904,000	
			100,000 (i)	3,808,000	
			82,304 (j)	3,134,136	
				15,887 (b)	604,977
				10,660 (c)	405,933
				5,968 (d)	227,261



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**Footnotes**

- (1) The following footnotes set forth the vest dates for the outstanding option awards (vesting generally depends upon continued employment):
- (a) Options vests 150,000 on 3/14/2014 and 150,000 on 3/14/2015.
  - (b) Options vest 25,000 on 3/15/2014.
  - (c) Options vest 25,000 on 3/14/2014 and 25,000 on 3/14/2015.
  - (d) Options vest 25,000 on 3/12/2014, 25,000 on 3/12/2015 and 25,000 on 3/12/2016.
  - (e) Options vest 22,500 on 3/18/2014, 22,500 on 3/18/2015, 22,500 on 3/18/2016 and 22,500 on 3/18/2017.
  - (f) Options vest 20,000 on 3/15/2014.
  - (g) Options vest 22,500 on 3/14/2014 and 22,500 on 3/14/2015.
  - (h) Options vest 25,000 on 3/12/2014, 25,000 on 3/12/2015, and 25,000 on 3/12/2016.
  - (i) Options vest 20,000 on 3/18/2014, 20,000 on 3/18/2015, 20,000 on 3/18/2016 and 20,000 on 3/18/2017.
  - (j) Options vest 25,000 on 3/15/2014.
  - (k) Options vest 25,000 on 3/14/2014 and 25,000 on 3/14/2015.
  - (l) Options vest 25,000 on 3/12/2014, 25,000 on 3/12/2015 and 25,000 on 3/12/2016.
  - (m) Options vest 20,000 on 3/18/2014, 20,000 on 3/18/2015, 20,000 on 3/18/2016 and 20,000 on 3/18/2017.
  - (n) Options vest 25,001 on 3/15/2014.
  - (o) Options vest 25,000 on 3/14/2014 and 25,000 on 3/14/2015.

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- (p) Options vest 25,000 on 3/12/2014, 25,000 on 3/12/2015 and 25,000 on 3/12/2016.
  - (q) Options vest 22,500 on 3/18/2014, 22,500 on 3/18/2015, 22,500 on 3/18/2016 and 22,500 on 3/18/2017.
- (2) The following footnotes set forth the vest dates for the outstanding stock awards (vesting generally depends upon continued employment):
- (a) Award vests 50,000 on 3/12/2014 and 50,000 on 3/12/2015.
  - (b) Award vests 25,000 on 3/14/2014.
  - (c) Award vests 37,500 on 9/14/2014.
  - (d) Award vests 25,000 on 3/18/2015 and 25,000 on 3/18/2016.
  - (e) Award vests 37,500 on 3/14/2014.
  - (f) Award vests 25,000 on 3/12/2014 and 25,000 on 3/12/2015.
  - (g) Award vests 25,000 on 3/18/2015 and 25,000 on 3/18/2016.
  - (h) Award vests 50,000 on 3/14/2014.
  - (i) Award vests 50,000 on 3/12/2014 and 50,000 on 3/14/2015.
  - (j) Award vests 41,152 on 3/18/2015 and 41,152 on 3/18/2016.
- (3) Represents the number of stock awards multiplied by the closing price of our common stock as of January 31, 2014 (\$38.08).
- (4) (a) Represents the actual number of shares that were earned for years 1 and 2 of a three-year performance period beginning in fiscal 2012 under the CEO Performance Share Grant, further described on page 37 of the Compensation Discussion and Analysis section. The total number of shares that can be earned if the maximum performance conditions are achieved in the third year of the three-year performance period is 1,964,594. The aggregate award earned will vest in January 2015, contingent on continued service with the Company.
- (b) Represents the number of shares earned under the Company's Long-Term Growth Program (described on page 38 of the Compensation Discussion and Analysis section) with respect to year 1 (fiscal 2011), year 2 (fiscal 2012) and year 3 (fiscal 2013) of a three-year performance period.
- (c) Represents the threshold number of shares that may be earned under the Company's Long-Term Growth Program (described on page 38 of the Compensation Discussion and Analysis section) with respect to year 1 (fiscal 2012) and year 2 (fiscal 2013) of a three-year performance period. The total number of shares that can be earned if the maximum performance conditions are achieved over the remaining portion of the three-year performance period for each named executive is as follows: Ms. Simmons (81,919), Mr. Calhoun (72,815), Mr. Peck (79,156) and Mr. Sunnucks (48,662). Mr. Murphy did not receive a grant under the Company's Long-Term Growth Program in fiscal 2012. Half of any award earned will vest on the date the Company's Compensation and Management Development Committee certifies attainment in 2015, and the remainder will vest on the anniversary of such certification date, contingent on continued service with the Company.

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(d) Represents the threshold number of shares that may be earned under the Company's Long-Term Growth Program (described on page 38 of the Compensation Discussion and Analysis section) with respect to year 1 (fiscal 2013) of a three-year performance period. The total number of shares that can be earned if the maximum performance conditions are achieved over the remaining portion of the three-year performance period for each named executive is as follows: Ms. Simmons (90,039), Mr. Calhoun (82,967), Mr. Peck (86,537) and Mr. Sunnucks (94,271). Mr. Murphy did not receive a grant under the Company's Long-Term Growth Program in fiscal 2013. Half of any award earned will vest on the date the Company's Compensation and Management Development Committee certifies attainment in 2016, and the remainder will vest on the anniversary of such certification date, contingent on continued service with the Company.

(5) Represents the number of stock awards multiplied by the closing price of our common stock as of January 31, 2014 (\$38.08).

**Table of Contents****Option Exercises and Stock Vested**

The following table shows all stock options exercised and the value realized upon exercise, and all stock awards vested and the value realized upon vesting, by the named executive officers during fiscal 2013, which ended on February 1, 2014.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise	Value Realized on Exercise	Number of Shares Acquired on Vesting	Value Realized on Vesting
	(#)	(\$)	(#)	(\$)
Glenn Murphy	2,650,000	\$ 57,537,417	142,044	\$ 5,177,504
Sabrina Simmons	112,500	1,914,241	45,384	1,652,595
Jack Calhoun	81,750	1,874,890	95,633	3,682,356
Arthur Peck	281,250	5,509,402	87,012	3,174,459
Stephen Sunnucks	529,999	11,500,273	90,131	3,289,528

**Nonqualified Deferred Compensation**

The table below provides information on the nonqualified deferred compensation activity for the named executive officers in fiscal 2013, which ended on February 1, 2014.

Name	Executive Contribution in Fiscal 2013 (\$ (1))	Registrant Contributions in Fiscal 2013 (\$ (2))	Aggregate Earnings in Fiscal 2013 (\$ (3))	Aggregate Withdrawals/ Distributions in Fiscal 2013 (\$)	Aggregate Balance at Fiscal 2013 Year-End (\$ (4))
Glenn Murphy	\$ 60,000	\$ 49,800	\$ 96,990	\$ 0	\$ 880,657
Sabrina Simmons	25,154	22,338	(16)	0	237,511
Jack Calhoun	270,000	25,800	253	0	921,232
Arthur Peck	953,191	25,800	465,936	0	3,106,227
Stephen Sunnucks (5)	0	0	0	0	899,200

**Footnotes**

- (1) These amounts are included in the Salary column of the Summary Compensation Table.
- (2) Footnote 7 to the Summary Compensation Table shows matching contributions under the Company's Deferred Compensation Plan ( DCP ) for base salary deferrals representing the excess of the participant's base pay over the current IRS qualified plan limit (\$255,000 for calendar year 2013), which are matched at up to 4%, the same rate as is in effect under the Company's 401(k) plan.
- (3) These amounts include earnings and dividends. In fiscal 2013, no above-market or preferential interest rate options were available on notional investments in the DCP.

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- (4) A portion of these amounts were previously reported as deferred compensation in the Nonqualified Deferred Compensation and Summary Compensation tables in the Proxy Statements for prior Annual Meetings.
  
- (5) From 2005 to 2011, Mr. Sunnucks participated in a retirement program available to all of the Company's eligible U.K. employees. The last contribution was submitted as of November 4, 2011. As of February 1, 2014, the aggregate balance was £546,992. For presentation purposes, Mr. Sunnucks' aggregate balance was converted to U.S. dollars using the exchange rate as of the last business day of fiscal 2013. The retirement program is a tax-qualified program in the U.K. and eligible U.K. employees may contribute any portion of their earnings up to a £50,000 annual limit and a prescribed lifetime cap (currently £1,500,000). The minimum age to begin withdrawals is 55 years old.

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**Potential Payments Upon Termination**
***Post-Termination Benefits Glenn Murphy***

On July 25, 2007, the Company and Glenn Murphy, our Chairman and CEO, executed an employment agreement in connection with Mr. Murphy joining the Company. The employment agreement was amended and restated on December 1, 2008 in response to Section 409A of the Internal Revenue Code ( Section 409A ), and was amended again on February 9, 2009 in connection with a change in Mr. Murphy's salary (the Employment Agreement ). The Employment Agreement was filed as an exhibit to the Company's Annual Report on Form 10-K, filed with the SEC on March 27, 2009. The Employment Agreement generally provides the following post-termination benefits, contingent on Mr. Murphy signing a release of claims:

Without a Change in Control: If Mr. Murphy is involuntarily terminated without Cause, or Mr. Murphy terminates his employment for Good Reason or due to a Material Diminution of Responsibilities, other than in connection with a Change in Control of the Company (each as defined in the Employment Agreement), he will be eligible for:

- i. His then current salary for twenty-four months (the post-termination period ). Post-termination period payments will cease if Mr. Murphy accepts other employment or professional relationship with 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 he breaches his obligations to the Company (e.g. duty to protect confidential information, agreement not to solicit Company employees). Post-termination period payments will be reduced by any cash compensation Mr. Murphy earns during the post-termination period from other employment or professional relationship with a non-competitor other than up to \$500,000 per 12-month period earned for providing director and/or consulting services to a non-competitor while Mr. Murphy is unemployed.
- ii. A prorated bonus in the year of termination if earned, plus bonuses at an annual maximum of 150% of base salary if earned for the next two fiscal years, subject to cessation or offset as noted under paragraph (i) above.
- iii. Should Mr. Murphy elect to continue health coverage through COBRA, reimbursement for a portion of the COBRA premium during the period in which he is receiving payments under paragraph (i) above.
- iv. Acceleration of 25% of the unvested portion of the stock options granted on his start date.

Following a Change in Control: If Mr. Murphy is involuntarily terminated without Cause in connection with or within twelve months after a Change in Control of the Company, he terminates his employment for Good Reason within twelve months after a Change in Control, or he terminates his employment due to a Material Diminution of Responsibilities within 30 days after the six month anniversary of a Change in Control (each as defined in the Employment Agreement), he will be eligible for:

- i. A lump sum equivalent to his then current salary for twenty-four months.
- ii. A prorated bonus in the year of termination if earned, plus bonuses at an annual maximum of 150% of base salary if earned for the next two fiscal years.
- iii. Should Mr. Murphy elect to continue health coverage through COBRA, reimbursement for a portion of the COBRA premium.
- iv. Acceleration of any unvested portion of the stock options granted to him on his start date with the Company.



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On May 4, 2012, the Company approved a grant of performance shares to Mr. Murphy to further incentivize delivery on the Company's core growth and financial performance objectives over fiscal years 2012, 2013 and 2014, pursuant to a CEO Performance Share Agreement (the PSA). The PSA was filed as an exhibit to the Company's Current Report on Form 8-K, filed with the SEC on May 4, 2012. The PSA provides for the following post-termination benefits:

- (i) In the event of Mr. Murphy's termination during the Company's 2013 fiscal year by the Company other than for Cause, death or disability or by Mr. Murphy for Good Reason or a Material Diminution of Responsibilities, in each case, within twelve months after or 60 days prior to a Change-in-Control (as defined in the Employment Agreement), the PSA shares may vest on a prorated basis, to the extent applicable performance goals are achieved through the fiscal year in which the termination occurred.
- (ii) In the event of Mr. Murphy's termination during the Company's 2014 fiscal year by the Company other than for Cause, death or disability or by Mr. Murphy for Good Reason or a Material Diminution of Responsibilities (whether or not in connection with a Change-in-Control), the PSA shares may continue to vest, to the extent applicable performance goals are achieved through the fiscal year in which the termination occurred.
- (iii) In the event either (i) or (ii) above is triggered, the value of the PSA will be reduced by shares having a value on the payment date equal to \$9,777,500, which was the estimated value of post-termination payments Mr. Murphy would receive under his Employment Agreement.

The table below shows the amounts that Mr. Murphy would be eligible to receive in a non-Change in Control scenario and in a Change in Control scenario under his Employment Agreement and the PSA, assuming that the termination occurred on February 1, 2014, the last day of our 2013 fiscal year.

**Potential Post-Termination Payment Eligibility for Glenn Murphy**

Description	Assumes termination date of February 1, 2014	
	No Change in Control (as defined in Employment Agreement)	Change in Control (as defined in Employment Agreement)
Cash Payments Related to Salary (1)	\$ 3,000,000	\$ 3,000,000
Cash Payments Related to Bonus	7,175,567	7,175,567
Health Benefits	27,456	27,456
Stock Option Vesting Acceleration	0	0
Stock Award Vesting Acceleration (2)	0	39,647,522
<b>Total</b>	<b>10,203,023</b>	<b>49,850,545</b>

**Footnotes**

- (1) Does not include the deferred compensation that Mr. Murphy would also be entitled to receive upon termination, as described in the Nonqualified Deferred Compensation section above.
- (2) Reflects the value of the prorated shares earned if Mr. Murphy had been terminated on February 1, 2014, less \$9,777,500 (the estimated value of post-termination payments Mr. Murphy would receive under his Employment Agreement).



*Post-Termination Benefits Sabrina Simmons, Jack Calhoun, Arthur Peck, and Stephen Sunnucks*

The Company entered into agreements that provide eligibility for post-termination benefits in the case of involuntary termination without cause. In light of the uncertainty created by the Company's transition to a global brand management structure in 2012 and in order to mitigate business risk from

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the potential departure of key executives, certain benefits, enumerated in paragraphs iv. and v. below, were added to the agreements. These agreements in total provide that if the executive is involuntarily terminated without cause (as specified in each respective agreement) prior to February 13, 2015, the executive will receive (in exchange for a release of claims):

- i. The executive's then current salary for eighteen months (the post-termination period). Post-termination period payments will cease if the executive accepts other employment or professional relationship with 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 the executive breaches his or her obligations to the Company (e.g. duty to protect confidential information, agreement not to solicit Company employees). Post-termination period payments will be reduced by any compensation the executive receives during the post-termination period from other employment or professional relationship with a non-competitor.
- ii. Should the executive elect to continue health coverage through COBRA, reimbursement for a portion of the COBRA premium during the period in which the executive is receiving payments under paragraph (i) above.
- iii. During the period in which the executive is receiving payments under paragraph (i) above, reimbursement for his or her costs to maintain the financial counseling program the Company provides to senior executives.
- iv. A prorated bonus in the year of termination if the executive worked at least 3 months of the fiscal year and if earned based on actual fiscal results achieved in the year of termination.
- v. Accelerated vesting (but not settlement) of restricted stock units and performance shares or units that remain subject only to time vesting conditions scheduled to vest prior to April 1 following the fiscal year of termination.

Subparagraphs (i) through (v) above were added to Mr. Sunnucks' U.K. employment agreement in a manner that conforms with other entitlements under that agreement.

The table below shows the amounts that Ms. Simmons, Mr. Calhoun, Mr. Peck and Mr. Sunnucks would have been eligible to receive under the agreements described above assuming that they had been terminated without cause on February 1, 2014, the last day of our 2013 fiscal year.

**Potential Post-Termination Payment Eligibility for****Sabrina Simmons, Jack Calhoun, Arthur Peck and Stephen Sunnucks**

Description	Assumes termination date of February 1, 2014			
	Ms. Simmons	Mr. Calhoun	Mr. Peck	Mr. Sunnucks
Cash Payments related to salary (1)	\$ 1,237,500	\$ 1,350,000	\$ 1,350,000	\$ 1,578,144
Cash Payments related to bonus (2)	823,500	331,099	1,072,869	1,005,657
Health Benefits	20,304	14,904	20,592	38,700
Financial Counseling (3)	22,200	22,200	22,200	0
Stock Award Vesting Acceleration	3,568,858	2,371,204	4,134,079	4,529,921
<b>Total</b>	<b>5,672,362</b>	<b>4,089,407</b>	<b>6,599,740</b>	<b>7,152,422</b>

**Footnotes**

(1)

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Payments represent salary continuation for 18 months. The amounts do not include the deferred compensation these executives would also be entitled to receive upon termination, as described in the Nonqualified Deferred Compensation section, above.

For presentation purposes, Mr. Sunnucks' salary (paid in British pound sterling) is shown in U.S. Dollars using the currency exchange rate as of the last business day of fiscal 2013 (£640,000 as of January 31, 2014).

- (2) Payments represent fiscal 2013 bonus that was earned by each executive.
- (3) Mr. Sunnucks is not entitled to a financial counseling benefit during the term of his relocation assignment from London to New York, in light of the special relocation payment of £250,000 he received, which is described further described in the Compensation Discussion and Analysis section.

**Table of Contents****Death, Disability or Retirement**

Each of our named executive officers is generally entitled to the following additional death, disability or retirement benefits:

- i. Executive supplemental long-term disability insurance, which increases income replacement to 50% of base salary up to a maximum payment of \$25,000 per month.
- ii. Life insurance, provided to employees at the Director level and above, which provides coverage of three times base salary up to a maximum of \$2 million.
- iii. Upon retirement, our standard forms of stock option and stock award agreements provide for accelerated vesting of any unvested shares under awards that have been outstanding for at least a year. None of our named executive officers was old enough to be eligible for retirement-based accelerated vesting as of February 1, 2014, the last day of our 2013 fiscal year. For these purposes, Retirement means Employee's Termination of Service for any reason (other than due to Employee's misconduct as determined by the Company in its sole discretion) after Employee has attained age 60 and completed at least five years of continuous service as an Employee of the Company or an Affiliate.
- iv. Upon death, our standard forms of stock option and stock award agreements provide for accelerated vesting of any unvested shares under awards that have been outstanding for at least a year, provided that any performance targets have been satisfied. The table below shows the value of all unvested options and unvested stock awards that would have become vested in the event of the named executive's death on February 1, 2014, the last day of our 2013 fiscal year.

Mr. Sunnucks' employment agreement provides information on his eligibility for certain death, disability or retirement benefits consistent with a U.K. statutory scheme.

**Potential Accelerated Vesting Eligibility for Named Executive Officers**

Description	Assuming the Executive had Died on February 1, 2014				
	Mr. Murphy	Ms. Simmons	Mr. Calhoun	Mr. Peck	Mr. Sunnucks
Stock Option Vesting Acceleration (1)	\$ 4,887,000	\$ 2,164,000	\$ 2,007,500	\$ 2,164,000	\$ 2,164,015
Stock Award Vesting Acceleration (2)	17,228,001	6,457,759	4,649,987	5,988,308	6,736,428
<b>Total</b>	<b>22,115,001</b>	<b>8,621,759</b>	<b>6,657,487</b>	<b>8,152,308</b>	<b>8,900,443</b>

**Footnotes**

- (1) Reflects the value of all unvested stock options that would have become vested assuming the named executive officers had died on February 1, 2014, based on the difference between the option exercise price and the last closing price of our common stock as of that date.
- (2) Reflects the value of all unvested stock awards that would have become vested assuming the named executive officers had died on February 1, 2014, based on the last closing price of our common stock as of that date.



**Table of Contents****Equity Compensation Plan Information**

The following table provides information as of February 1, 2014 about shares of our common stock which may be issued upon the exercise of options, warrants and rights granted to employees, consultants or members of our Board of Directors under all of our equity compensation plans, including the 2011 Long-Term Incentive Plan, the 2002 Stock Option Plan, the Employee Stock Purchase Plan and the UK Employee Stock Purchase Plan.

Plan Category	Equity Plan Summary	Column (B)	Column (C)
	Column (A)		Number of Securities
	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (A))
Equity Compensation Plans Approved by Security Holders (1)	15,440,060 (2)	\$ 25.10	55,210,445 (3)
Equity Compensation Plans Not Approved by Security Holders (4)	449,768	21.57	0
<b>Total</b>	<b>15,889,828</b>	<b>25.00</b>	<b>55,210,445</b>

**Footnotes**

- (1) These plans consist of our 2011 Long-Term Incentive Plan (the 2011 Plan ) and Employee Stock Purchase Plan (the ESPP ).
- (2) This number excludes 208,546 shares that were issued at the end of the most recent ESPP purchase period, which began on December 1, 2013 and ended on February 28, 2014, after the end of our 2013 fiscal year. This number also excludes shares that may be issued upon satisfaction of performance targets under the 2011 Plan because the number of shares that could be issued will be based upon the per share value of our stock on the ultimate date of grant. This number includes the number of shares that could be earned under the Company's Long-Term Growth Program (described on page 38 of the Compensation Discussion and Analysis section) and the number of shares that could be earned under the May 4, 2012 performance share grant to our CEO (described on page 37 of the Compensation Discussion and Analysis section) if the maximum performance conditions were achieved over the entire three-year performance periods.
- (3) This number includes 4,253,736 shares that were available for future issuance under the ESPP at the end of our 2013 fiscal year, including the 208,546 shares described in footnote 2, above. For those grants prior to May 17, 2011, the number shown reflects the deduction of three shares from the Company's share reserve for every one stock award at the time of grant and, for those grants on or after May 17, 2011, the number shown reflects the deduction of two shares from the Company's share reserve for every one stock award at the time of grant, pursuant to the terms of the 2011 Plan.
- (4) These plans consist of the 2002 Stock Option Plan (discontinued in May 2006) and the UK Employee Stock Purchase Plan (suspended in November 2010) (the UK Plan ), which are described below.

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Our 2011 Long-Term Incentive Plan and our Employee Stock Purchase Plan were approved by our shareholders. The two plans described below were not required to be approved by our shareholders.

### ***2002 Stock Option Plan***

Our Board of Directors originally approved the 2002 Stock Option Plan (the 2002 Plan ), formerly known as Stock Up On Success, The Gap, Inc. s Stock Option Bonus Program, effective as of January 1, 1999. The 2002 Plan was intended to increase incentives and to encourage share ownership on the part of eligible non-officer regular employees of the Company and its affiliates by providing limited grants of nonqualified stock options to such employees. In May 2006, the 2002 Plan was discontinued for new grants following the approval of our amended and restated 2006 Long-Term Incentive

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Plan (now the 2011 Long-Term Incentive Plan) by our shareholders at the 2006 Annual Meeting. Shares that were then available under the 2002 Plan transferred to the 2006 Long-Term Incentive Plan (now the 2011 Long-Term Incentive Plan). Any outstanding awards under the 2002 Plan remain subject to the terms and conditions under the 2002 Plan. A total of 449,768 awards remained outstanding under the 2002 Plan as of February 1, 2014.

***UK Employee Stock Purchase Plan***

The Board of Directors approved the UK Employee Stock Purchase Plan (the UK Plan ) effective as of September 2000. The UK Plan was intended to enable eligible employees in the United Kingdom to acquire shares, thereby giving them a continuing stake in the Company. Under the UK Plan, all eligible employees could purchase shares at a price equal to the lower of the market value of a share on the first or last day of each six-month purchase period. Market Value generally means the closing price of a share on the New York Stock Exchange. We also provided each participant a match of one share for every seven shares purchased under the UK Plan. Participants generally had to hold any matching shares received under the UK Plan for at least three years. Participants paid for their share purchases under the UK Plan through payroll deductions of between £10 to £125 per month, not to exceed the lesser of £750 per six-month purchase period or 10% of their eligible salary per tax year (as defined in the UK Plan). A total of 1,000,000 shares were reserved for issuance under the UK Plan. A total of 174,413 shares were issued under the UK Plan. The Company suspended use of the UK Plan in November 2010; however, it will maintain administration of the plan for the next four years until current participants can release their stock tax-free under UK legislation.



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**OTHER INFORMATION**

**Policies and Procedures with Respect to Related Party Transactions**

The Board is committed to upholding the highest legal and ethical conduct in fulfilling its responsibilities and recognizes that related party transactions can present a heightened risk of potential or actual conflicts of interest. The Compensation and Management Development Committee's charter requires that the members of that Committee, all of whom are independent directors, approve all of the Company's executive compensation policies and programs and all compensation awarded to executive officers. The Audit and Finance Committee's charter requires that the members of the Audit and Finance Committee, all of whom are independent directors, review and approve transactions with the Company involving management and/or members of the Board of Directors that are not otherwise subject to the approval of the Compensation and Management Development Committee and would require disclosure under SEC rules. In the event a transaction involves a committee member, that member will recuse him or herself from the approval of the transaction.

In addition, the Audit and Finance Committee oversees the Company's Corporate Compliance Program, which includes procedures for the (i) receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters, and (ii) confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters and other matters under the Company's Code of Business Conduct.

**Certain Relationships and Related Transactions**

Pursuant to the approval of the Audit and Finance Committee of the Board, Doris F. Fisher, co-founder of the Company and Honorary Lifetime Member of the Board of Directors, leased, under agreements expiring in 2016, approximately 26,000 square feet of space in our One Harrison and Two Folsom, San Francisco headquarter locations primarily to display portions of her personal art collection. Mrs. Fisher is the mother of Robert J. Fisher and William S. Fisher. The agreements provided for base rent ranging from \$30.00 to \$42.35 per square foot per year over a 15-year term. Rental income from this leased space for fiscal 2013 was approximately \$1 million. We believe that these rental rates were at least competitive when the agreements were entered into. The agreements also provide us and our employees significant benefits, including use of the space on a regular basis for corporate functions at no charge.

Based on the Company's headquarters space needs and Mrs. Fisher's space needs, the Company determined that taking back a portion of the gallery space in 2014 will be beneficial to the Company. Accordingly, the Audit and Finance Committee reviewed and approved the terms of agreements to terminate the lease of the space in One Harrison in February 2014 and a portion of the space in Two Folsom in August 2014. The remaining portion of the space in Two Folsom (approximately 9,300 square feet) will continue to be leased by Mrs. Fisher at a base rent of \$42.35 per square foot on the same terms as originally agreed.

By Order of the Board of Directors,

Michelle Banks

Corporate Secretary

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*This Proxy Statement is printed on paper manufactured from well-managed forests, controlled sources, and recycled wood or fiber. Soy ink, rather than petroleum-based ink, is used throughout. We encourage you to recycle this document when you are finished with it.*

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***GAP INC.***

***ATTN: MARIE MA***

***TWO FOLSOM STREET***

***SAN FRANCISCO, CA 94105***

**VOTE BY INTERNET - [www.proxyvote.com](http://www.proxyvote.com)**

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

**ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS**

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

**VOTE BY PHONE - 1-800-690-6903**

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.

**VOTE BY MAIL**

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN  
BLUE OR BLACK INK AS FOLLOWS:

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KEEP THIS PORTION FOR YOUR RECORDS  
DETACH AND RETURN THIS PORTION ONLY

**THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.**

**GAP INC.**

**The Board of Directors recommends you vote FOR**

**Items 1, 2 and 3:**

1. Election of Directors

**For Against Abstain**

**Nominees:**

1a. Domenico De Sole

.. .. ..

**For Against Abstain**

1b. Robert J. Fisher

.. .. ..

1c. William S. Fisher

.. .. ..

1d. Isabella D. Goren

.. .. ..

2. Ratify .. .. ..  
the  
selection  
of  
Deloitte  
&  
Touche  
LLP  
as our  
independent  
registered  
public  
accounting  
firm  
for the  
fiscal  
year  
ending  
on  
January  
31,  
2015;

1e. Bob L. Martin

.. .. ..

1f. Jorge P. Montoya

.. .. ..

1g. Glenn K. Murphy

.. .. ..

3. Hold .. .. ..  
an  
advisory  
vote  
to



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**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:**

The Notice and Proxy Statement and Annual Report are available at [www.proxyvote.com](http://www.proxyvote.com).

M71549-P48328

**GAP INC.**

**Annual Meeting of Shareholders**

**May 20, 2014 10:00 AM**

**This proxy is solicited by the Board of Directors**

The undersigned hereby appoint(s) Glenn Murphy, Michelle Banks and Sabrina Simmons, or any of them, each with full power of substitution, as proxies to vote, in accordance with the instructions, as designated on the reverse side of this proxy, all of the shares of common stock of THE GAP, INC. that the undersigned is/are entitled to vote at the Annual Meeting of Shareholders to be held at 10:00 AM local time on May 20, 2014 at THE GAP, INC.

Headquarters, Two Folsom Street, San Francisco, CA 94105, and any adjournment or postponement thereof. The proxies are authorized in their discretion to vote upon such other business as may properly come before the meeting.

**This proxy, when properly executed, will be voted in the manner directed herein. If no such direction is made, this proxy will be voted in accordance with the Board of Directors' recommendations.**

**Continued and to be signed on reverse side**