GAP INC
Form DEF 14A
April 05, 2016

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant [X]
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Check the appropriate box:

[ ]	Preliminary Proxy Statement
[ ]	**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
[X]	Definitive Proxy Statement
[ ]	Definitive Additional Materials
[ ]	Soliciting Material Pursuant to §240.14a-12

The Gap, Inc.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

[X] No fee required.

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1) Amount Previously Paid:

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Notice of Annual Meeting
of Gap Inc. Shareholders

Proxy Statement

May 17, 2016
San Francisco, California

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NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

DATE AND TIME	**Tuesday, May 17, 2016** **10:00 a.m., San Francisco Time**
PLACE	Gap Inc. Headquarters Two Folsom Street San Francisco, California 94105
ITEMS OF BUSINESS	Elect to the Board of Directors the ten nominees named in the attached Proxy Statement; Ratify the selection of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending on January 28, 2017; Hold an advisory vote to approve the overall compensation of the named executive officers; Approve the Amendment and Restatement of The Gap, Inc. 2011 Long-Term Incentive Plan; and Transact such other business as may properly come before the meeting.
RECORD DATE	You must have been a shareholder of record at the close of business on March 21, 2016 to vote at the Annual Meeting.
INTERNET AVAILABILITY	In accordance with U.S. Securities and Exchange Commission rules, 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 them a notice with instructions for accessing the materials and voting via the Internet. 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 2015 Annual Report to Shareholders are available at: www.gapinc.com (follow the Investors, Financial Information, Annual Reports & Proxy links).
PROXY VOTING	Whether or not you plan to attend the Annual Meeting, please vote as soon as possible. As an alternative to voting in person at the Annual Meeting, you may vote via the Internet, by telephone or, if you receive a paper proxy card in the mail, by mailing the completed proxy card.
ADMISSION TO THE	You are entitled to attend the Annual Meeting only if you were a Gap Inc. shareholder as of the close of business on March 21, 2016 or you hold a valid proxy for the Annual Meeting. **Photo**

ANNUAL MEETING

identification is required for admittance. In addition, if you are not a shareholder of record but hold shares through a broker, bank, trustee or nominee (i.e., in street name), you will be required to 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 card provided by your broker, bank, trustee or nominee, a copy of the Notice of Internet Availability of 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 (follow the Investors, Financial News and Events, Webcasts links). The webcast will be recorded and available for replay on www.gapinc.com for at least 30 days following the Annual Meeting.

By Order of the Board of Directors,

Julie Gruber
Corporate Secretary
April 5, 2016

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PROXY SUMMARY

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

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 17, 2016, 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 5, 2016, we commenced distribution of this Proxy Statement and the form of proxy to our shareholders entitled to vote at the Annual Meeting.

Agenda

Items of Business	**Management Recommendation**	**Page No.**
The election of the ten directors nominated by the Board of Directors	The Board recommends you vote FOR each of the ten nominees.	Page 1
The ratification of the selection of Deloitte & Touche LLP as the Company’s independent registered public accounting firm for the fiscal year ending January 28, 2017	The Board recommends you vote FOR the selection of the independent registered public accounting firm.	Page 16
The approval of the overall compensation of the Company’s named executive officers	The Board recommends you vote “FOR” the approval of the overall compensation of the Company’s named executive officers.	Page 18
The approval of the Amendment and Restatement of The Gap, Inc. 2011 Long-Term Incentive Plan	The Board recommends you vote “FOR” the approval of the Amendment and Restatement of The Gap, Inc. 2011 Long-Term Incentive Plan.	Page 49

Voting Shares

The holders of common stock at the close of business on March 21, 2016 (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 397,873,269 shares of common stock outstanding.

You may vote your shares by:

By Internet	**By Mail**	**By Phone**	**In person**
www.proxyvote.com	Sign and return a proxy card (for shareholders of record) or voting instruction card (for beneficial owners of shares)	1-800-690-6903	At the meeting: May 17, 2016, 10:00 a.m. PST Gap Inc. Headquarters Two Folsom Street San Francisco, California 94105

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.

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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 Sustainability Committee of the Board of Directors has nominated the persons whose names are set forth below, all of whom are current 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 72.
Director since 2004.

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

As the former chief executive officer of a fashion 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 Proctor & Gamble Company and as a director of Newell Rubbermaid Inc., he has insight into the global consumer goods market.

Robert J. Fisher, age 61.
Director since 1990.

Non-executive Chairman of the Board since February 2015. 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 58.
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.

Tracy Gardner, age 52.
Director since 2015.

Principal of Tracy Gardner Consultancy, since 2010. Chief Executive Officer of dELiA*s Inc., an omni-channel retail company primarily marketing to teenage girls, 2013-2014. dELiA*s Inc. filed voluntary petitions for relief under Chapter 11 in December 2014. Former executive of J. Crew Group, Inc., 2004-2010. Various positions with Gap Inc., 1999-2004. Former director of Lands' End, 2014-2015.

With over 30 years of experience in the retail industry, Ms. Gardner brings deep product expertise and vast experience as a merchant, creative director and leader in growing multi-channel brands. In addition, her experience as a former senior leader within Gap Inc., and more recently as an advisor to Gap brand, provides Ms. Gardner with an in-depth understanding of the Company's business and operations.

Isabella D. Goren, age 55.
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. and MassMutual Financial Group.

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

Bob L. Martin, age 67.
Director since 2002.

Lead Independent Director from 2003 to 2015. Operating Partner of Stephens Group, Inc., a private equity group, since 2003. 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.

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Jorge P. Montoya, age 69.
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 Proctor & Gamble Company, during which time he acquired extensive experience in management, international growth, consumer products, and marketing.

Arthur Peck, age 60.
Director since 2015.

Chief Executive Officer of Gap Inc. since February 2015. President, Growth, Innovation and Digital division of Gap Inc., November 2012 to January 2015. President, Gap North America, February 2011 to November 2012. Executive Vice President of Strategy and Operations of Gap Inc., May 2005 to February 2011. President, Gap Inc. Outlet, October 2008 to February 2011. Acting President, Gap Inc. Outlet, February 2008 to October 2008. Senior Vice President of The Boston Consulting Group, a business consulting firm, 1982 to 2005.

As a result of his service as Gap Inc.'s Chief Executive Officer, as well as his service in other senior positions at Gap Inc. and his experience as a Senior Vice President of The Boston Consulting Group, Mr. Peck 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 61.
Director since 2002.

Non-Executive Chairman of Exelon Corporation, an energy company, since 2013. Executive Chairman of Exelon Corporation, 2012-2013. Chairman, Chief Executive Officer, and President of Constellation Energy Group, 2002-2012. Chief Executive Officer and President of Constellation Energy Group, 2001-2002. Director of Capital One Financial Corporation and Alarm.com Holdings, Inc.

Mr. Shattuck's experience on the boards 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 non-executive Chairman of Exelon Corporation, provides him with extensive knowledge of a number of important areas, including leadership, finance, risk assessment, compliance and governance.

Katherine Tsang, age 58.
Director since 2010.

Principal of Max Giant Limited, an investment company, since 2014. Chairperson of Greater China Standard Chartered Bank, 2009-2014. Chairperson of Standard Chartered Bank (Taiwan) Ltd., 2009-2014. Chairperson of Standard Chartered Bank (Hong Kong) Ltd., 2011-2014. Chief Executive Officer, Standard Chartered Bank (China) Ltd., 2005-2009. Former director of Baoshan Iron & Steel Co. Limited, 2006-2012.

Ms. Tsang possesses over two decades of work experience in the global banking industry. As the principal of an investment company and a former 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 56 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.

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 January 30, 2016.

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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:

Domenico De Sole	Isabella D. Goren	Mayo A. Shattuck III
Robert J. Fisher	Bob L. Martin	Katherine Tsang
William S. Fisher	Jorge P. Montoya	Padmasree Warrior (not standing for reelection)

In particular, the Board has determined that none of these directors has 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 15 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 7) provided 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.

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CORPORATE GOVERNANCE

Corporate Governance Guidelines

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 (follow the Investors, Governance, Guidelines links).

Additional Corporate Governance Information

If you would like further information regarding our corporate governance practices, please visit the

Governance and Corporate Compliance sections of 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 and Corporate Secretary) by email to 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, through our Code

Hotline (866) GAP-CODE or online at 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. 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.

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.

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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 risks arising from those policies and practices are reasonably likely to have a material adverse effect on the Company. As a part of 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 any risks arising from its compensation policies and practices are not reasonably likely to have a material adverse effect on the Company.

Communication with Directors

Interested parties can send direct communications to our Board of Directors (through our Chairman and Corporate Secretary) by email to: board@gap.com.

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 (follow the Investors, Corporate Compliance, Code of Business Conduct links).

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

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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 leased approximately 26,000 square feet of space in our One Harrison and Two Folsom, San Francisco headquarters locations under agreements, the last of which expired on January 31, 2016, primarily to display portions of her personal art collection. Mrs. Fisher is a co-founder of the Company, an Honorary Lifetime Member of the Board of Directors, and the mother of Robert J. Fisher and William S. Fisher. The lease agreements provided for base rent ranging from $30.00 to $42.35 per square foot per year over a 15-year term. Based on the Company's headquarters space needs and Mrs. Fisher's space needs, the Audit and Finance Committee reviewed and approved the terms of agreements to terminate the lease for a portion of the space in 2014. The remaining portion of the space (approximately 9,300 square feet) continued to be leased by Mrs. Fisher at a base rent of $42.35 per square foot on the same terms as originally agreed, expiring January 31, 2016. Rental income from this leased space for fiscal 2015 was approximately $420,000. We believe that these rental rates were at least competitive when the agreements were entered into. The agreements also provided us and our employees significant benefits, including use of the space on a regular basis for corporate functions at no charge.

During 2015, prior to the effective date of her appointment to the Company's Board of Directors, Ms. Gardner provided consulting services to the Company. The Company paid Ms. Gardner approximately $600,000 during 2015 for these services. The Company and Ms. Gardner terminated this consulting services arrangement as of November 1, 2015.

Board Leadership Structure and Succession

Our Amended and Restated Bylaws provide that our Chairman of the Board shall not be an officer or employee of the Company. Robert Fisher, an independent director, has served as our Chairman of the Board since February 2015.

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

We have separated the positions of CEO and Chairman of the Board. We believe this provides the most appropriate leadership structure at this time. Our CEO is responsible for day-to-day leadership and for setting the strategic direction of the Company, while the Chairman of the Board presides over Board meetings, including non-management and independent director sessions, and shareholder meetings.

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

Our Corporate Governance Guidelines provide that in the event that the Chairman of the Board is not an independent director, the Board shall designate an independent director to serve as Lead Independent Director.

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

At least annually, the independent directors meet in executive session.

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

In fiscal 2015, Mr. De Sole turned 72 years old. While our Corporate Governance Guidelines would normally provide that he not stand for re-election at the next annual meeting, the Board exercised its discretion to nominate Mr. De Sole to serve, once elected, on the Board for one year for the following reasons: our CEO and Chairman of the Board assumed their roles in fiscal year 2015; other recent management succession changes; Mr. De Sole's deep experience in the retail apparel and fashion industries; and Ms. Warrior is not standing for re-election at the next annual meeting given her additional responsibilities in her new position as a chief executive officer.

The Board of Directors has three standing committees: the Governance and Sustainability Committee, the Audit and Finance Committee, and the Compensation and Management Development Committee, each described below.

Governance and Sustainability Committee

The Board's Governance and Sustainability 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, oversight of the Company's programs, policies and practices relating to social and environmental issues, impacts and strategies, and such other duties as directed by the Board of Directors.

The Committee's charter is available at www.gapinc.com (follow the Investors, Governance, Board of Directors, Board Committees links).

Nomination of Directors

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

The Committee may also engage 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 2017, the shareholder must give written notice to our Corporate Secretary by no later than the close of business (San Francisco Time) on February 16, 2017, and no earlier than January 17, 2017 (i.e., not less than 90 days nor more than 120 days prior to the first anniversary of the date of our 2016 Annual Meeting). The notice must contain information required by our Bylaws about the identity and background of each

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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 16, 2017, then the proposed nominee(s) of the shareholder will not be considered at our Annual Meeting in 2017 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 (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 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, background, qualifications, gender, race/ethnicity, personal characteristics, and ability to understand the Company's business. The Board believes that this overall professional, personal, gender, and racial/ethnic diversity 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. In this regard, of the ten nominees for director, three are female and two are ethnically diverse. In addition, 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 overall diversity.

Evaluation of Directors

The Governance and Sustainability Committee is 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 survey that includes Board, committee, and individual assessments. In addition, members of senior management complete a similar survey to assess Board performance. While results are aggregated and summarized for discussion purposes, individual responses are not attributed to any individual and are kept confidential to ensure honest and candid feedback is received. The Committee discusses opportunities and makes recommendations for improvement as appropriate to the full Board, which implements agreed upon improvements. The Committee Chair also meets privately with individual Board members to provide feedback specific to each director received during the evaluation process. 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.

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Sustainability

The Governance and Sustainability Committee is also responsible for reviewing and evaluating Company programs, policies and practices relating to social and environmental issues, impacts and strategies to support the sustainable growth of the Company's businesses. The Committee regularly discusses social and environmental issues at its meetings, and oversees the Company's development of industry-leading programs and initiatives. For more information regarding our commitment to sustainability,

please see our website and most recent Sustainability Report available at www.gapinc.com (follow the Sustainability link).

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 directly responsible for the appointment, compensation, retention and oversight of the independent registered public accounting firm.

The Committee's charter is available at 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.

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 (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 approves grants of stock units to employees at the Vice President or above level, and 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 "Long-Term Incentives" beginning on page 26 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.

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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 NYSE rules, the Committee can only retain a compensation advisor after considering six independence factors: (a) whether the advisor's firm provides other services to the Company, (b) the fees received by the advisor's firm from the Company as a percentage of the firm's overall revenue, (c) the policies and procedures of the advisor's firm designed to prevent conflicts of interest, (d) any business or personal relationship between the advisor and a member of the Committee, (e) any stock of the Company owned by the advisor, and (f) any business or personal relationship of the advisor or advisor's firm 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 2015, Mr. De Sole, Mr. Martin, Ms. Tsang, and Ms. Warrior (who is not standing for reelection) served on the Compensation and Management Development Committee of the Board of Directors. During fiscal 2015, 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 directors.

Board Meetings

The Board met eight times during fiscal 2015. The following table lists the current members of each of the committees and the number of committee meetings held during fiscal 2015:

Name	**Audit & Finance**	**Compensation & Management Development**	**Governance & Sustainability**
Domenico De Sole		X	
Robert J. Fisher			Chair
William S. Fisher			
Tracy Gardner			
Isabella D. Goren	X		
Bob L. Martin		Chair	X
Jorge P. Montoya	X		
Arthur Peck			
Mayo A. Shattuck III	Chair		X
Katherine Tsang		X	
Padmasree Warrior (not standing for reelection)		X	
Number of Meetings	**8**	**7**	**5**

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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 non-management directors are typically scheduled to meet without the presence of management during each regularly scheduled Board meeting. Our Chairman, Robert Fisher, is responsible for organizing, managing and presiding over the non-management and director sessions of the Board, and reporting on outcomes of the sessions to the CEO, as appropriate.

Attendance of Directors at Annual Meetings of Shareholders

Our policy regarding attendance by directors at our Annual Meeting of Shareholders states that our Chairman 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. Nine directors attended our 2015 Annual Meeting in person.

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 30. 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.

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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 2015, as well as the amounts payable for fiscal 2016:

Fiscal Year 2015 and 2016 Director Cash Compensation

	2015	2016
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 Sustainability Committee	15,000	15,000
Additional Annual Retainer for Chairman of the Board	200,000	200,000
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.

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; and

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.

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 is 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 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.

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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 on terms similar to the Gap Inc. corporate employee merchandise discount policy.

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.

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 2015, Art Peck, our CEO, had an annual matching limit of $100,000. The annual limit for non-employee directors was $15,000 under the Gift Match Program.

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Director Compensation Summary

The following table sets forth certain information regarding the compensation of our directors in fiscal 2015, which ended January 30, 2016.

Name (1)	Fees Earned or Paid in Cash ($)	Stock Awards ($) (2)	Option Awards ($) (3)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($) (4)	Total ($)
Domenico De Sole	83,000	139,969	0	0	0	222,969
Robert J. Fisher	298,000	139,969	0	0	15,000	452,969
William S. Fisher	75,000	139,969	0	0	15,000	229,969
Tracy Gardner	18,750	139,994	0	0	0	158,744
Isabella D. Goren	91,000	139,969	0	0	14,519	245,488
Bob L. Martin	115,000	139,969	0	0	0	254,969
Jorge P. Montoya	101,000	139,969	0	0	12,500	253,469
Mayo A. Shattuck III	119,000	139,969	0	0	15,000	273,969
Katherine Tsang	97,000	139,969	0	0	0	236,969
Padmasree Warrior	81,000	139,969	0	0	0	220,969

Footnotes

(1) Mr. Peck was compensated as our CEO and received no additional compensation as a director. Mr. Peck's compensation is reported in the Summary Compensation Table and related executive compensation tables, beginning on page 35.

(2) This column reflects the aggregate grant date fair value for awards of stock during fiscal 2015, computed in accordance with FASB ASC 718. All stock awards reported in this column were granted in fiscal 2015. The following directors had outstanding stock awards as of fiscal 2015 year-end: Mr. De Sole (10,389), Mr. Robert Fisher (10,389), Mr. William Fisher (10,389), Ms. Gardner (5,257), Ms. Goren (10,389), Mr. Martin (10,389), Mr. Montoya (10,389), Mr. Shattuck (14,957), Ms. Tsang (10,389), and Ms. Warrior (9,661). For the period during which the payment of these units is deferred (see page 13), they will earn dividend equivalents which are reinvested in additional units annually. Please refer to Note 10, "Share-Based Compensation," in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K filed on March 21, 2016 for the relevant assumptions used to determine the valuation of our stock awards.

(3) No stock options were granted to our directors in fiscal 2015. None of our directors had outstanding option awards as of fiscal 2015 year-end.

(4) Amounts in this column include any Company matching contributions under the Company's Gift Match Program (see "Expense Reimbursement and Other Benefits," on page 14).

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PROPOSAL NO. 2 — Ratification of 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 28, 2017. Deloitte & Touche LLP (or its predecessor firm) has been retained as our independent registered public accounting firm since 1976. 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 interests of the Company 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 January 30, 2016 and January 31, 2015 provided by our principal accounting firm, Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu Limited, and their respective affiliates (collectively "Deloitte & Touche").

Fiscal Year 2015 and 2014 Accounting Fees

Fees (see notes below)	**Fiscal Year 2015**		**Fiscal Year 2014**	
Audit Fees	$	4,792,223	$	4,873,960
Audit-Related Fees		233,401		256,222
Tax Fees		106,617		86,595
All Other Fees		4,500		4,782
Total	$	5,136,741	$	5,221,559

"Audit Fees" consists of fees for professional services rendered in connection with the integrated audit of our consolidated annual financial statements and internal controls over financial reporting, 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 approves the terms, including compensation, of the engagement of our independent registered public accounting firm on an annual basis, and has a policy to pre-approve all services performed by the 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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Rotation

The Audit and Finance Committee periodically reviews and evaluates the performance of Deloitte & Touche's lead audit partner, oversees the required rotation of the lead audit partner responsible for our audit and, through the Committee's Chair as representative of the Audit and Finance Committee, reviews and considers the selection of the lead audit partner. In addition, the Audit and Finance Committee periodically considers whether there should be a rotation of the independent registered public accounting firm. At this time, the Audit and Finance Committee and the Board believe that the continued retention of Deloitte & Touche to serve as our independent registered public accounting firm is in the best interests of the Company and our shareholders.

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, 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 January 30, 2016 with the Company's management. In addition, the Committee has discussed with Deloitte & Touche, 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, 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 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 January 30, 2016 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 2016 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 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. We are committed to tie pay to performance. Reflecting this commitment, due to the fact that the Company did not meet its performance objectives in 2015, certain compensation components to our named executive officers paid out below established targets, as further described on page 20 of the following Compensation Discussion and Analysis. 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 2015 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 2015 compensation. In addition, as described on page 22, 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.

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COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion & Analysis 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.

Introduction

In this Compensation Discussion and Analysis, we discuss the following:

Executive Summary

Fiscal 2015 was a year of leadership transition. Fiscal 2015 at a glance:

Management Succession – New Leadership for the Future	*Executives*
After seven years of service as CEO, Glenn Murphy was succeeded at the beginning of fiscal 2015 by long-time executive Arthur Peck. In connection with this CEO transition, we established a new leadership team and the next generation of brand leaders by making several internal promotions. Jeff Kirwan	Arthur Peck, Chief Executive Officer Sabrina Simmons, Executive Vice President & Chief Financial Officer Jeff Kirwan, Global President, Gap Stefan Larsson, Global President, Old Navy (until October 2015)

and Andi Owen, both long-time employees of the Company, were each promoted to the position of Global President for Gap and Banana Republic, respectively. In October 2015, Stefan Larsson stepped down as Global President of Old Navy and Jill Stanton, EVP of Global Product at Old Navy, was selected to lead the division on an interim basis. In light of these leadership changes, we took certain actions to promote retention as described on page 30.	Andi Owen, Global President, Banana Republic Sonia Syngal, Executive Vice President, Global Supply Chain & Product Operations

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Financial Performance & CEO Pay

Fiscal 2015 was a challenging year for much of the retail industry. Notwithstanding strong foreign exchange headwinds, we continued our investment in digital capabilities, continued right-sizing the Gap-brand store fleet and expanded globally in key markets.

The charts below show the directional relationship between Company performance, based on Net Sales and Diluted EPS, and our CEO's year-over-year compensation (Mr. Murphy (2013 & 2014) and Mr. Peck (2015)).

Pay for Performance

In fiscal 2015, we did not meet the performance targets in our incentive compensation plans, so our CEO did not receive a bonus and our other Executives received bonuses that were significantly below target, except for Mr. Larsson who left the Company and was not eligible to receive a bonus. Stock options granted to our Executives during the year have an exercise price well above the closing stock price at the end of the fiscal year, which means our stock price must increase significantly for our Executives to realize any value from these awards. Our Long-Term Growth Program ("LGP") awards with a 2013-2015 performance period paid out below target. Similarly for our 2015 LGP awards, even if target is achieved in future periods, the actual awards earned will be below target based on our fiscal 2015 performance.

Say On Pay – 99% Approval

At the 2015 Annual Meeting, shareholders were very supportive of the structure and philosophy of our pay program. Other than aligning the compensation structure for our new CEO with our other Executives, we have made no material changes.

Change in CEO Pay - Total Reported Compensation

Fiscal 2014 (Mr. Murphy): $16,064,312, of which 89% was performance based.

Fiscal 2015 (Mr. Peck): $6,140,798, of which 78% was performance based.

Listening to Our Shareholders

Our experienced Committee is comprised solely of independent directors and has established effective means for communicating with shareholders, including the opportunity for shareholders to cast a non-binding advisory vote regarding executive compensation at our Annual Meeting.

The Committee is very interested in the ideas and concerns of our shareholders regarding executive compensation. An advisory vote regarding executive compensation was presented to our shareholders at last year's Annual Meeting and approved by over 99% of shareholder votes, consistent with prior advisory votes by our shareholders regarding executive compensation.

CEO Compensation Summary

In connection with the appointment of Mr. Peck as our CEO, effective February 1, 2015, we established a compensation package that is structurally similar to that of our other Executives. The package is intended to reward him for sustained improvement of the Company's financial performance and returns to shareholders while helping to promote alignment of interests across the executive team. The Committee used the same factors outlined under "Compensation Analysis Framework" below, as well as its judgment, to determine the structure and value of the package. Over 50% of the target long-term incentive compensation is in the form of performance shares and most of the total compensation opportunity requires achievement of performance goals or share price appreciation. Mr. Peck receives essentially the same

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benefits and limited perquisites provided to our other Executives. The Committee received advice from its independent compensation consultant on the compensation structure, which is described more fully below:

Base salary was set at $1,300,000.

Annual bonus target was set at 175% of base salary and based 100% on financial performance. In fiscal year 2015, because our financial performance was well below our expectations, no bonus was earned.

We granted multi-year performance shares to Mr. Peck under the LGP. For LGP shares granted in 2013 to Mr. Peck prior to his appointment as CEO, and based on financial performance during fiscal years 2013 – 2015, 14,159 shares, or 38% of the target amount, were earned.

We granted stock options, with an exercise price of $41.19, to Mr. Peck covering 300,000 shares, which will vest over a four-year period subject to continued service. Our stock price must increase significantly for the stock options to create any value for the CEO.

The chart below shows the proportion of each component of our CEO's fiscal 2015 compensation, as reported in the Summary Compensation Table on page 35, the majority of which is weighted toward incentive compensation tied to our financial performance and the long-term return realized by shareholders.

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

Promote a culture of executive stock ownership.

Our program rewards executives for the achievement of corporate and divisional financial and non-financial 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 price does not appreciate, compensation that can be realized by our executives is substantially reduced. When we exceed

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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.

Compensation Governance

What we do

Pay for Performance
We tie pay to performance. Our compensation programs are heavily weighted toward performance with limited perquisites, and competitive severance benefits.

Tally Sheets
We review tally sheets, which are intended to summarize key elements of total compensation and potential wealth accumulation, for our Executives prior to making annual compensation decisions.

Recoupment Policy
We have an incentive compensation recoupment ("clawback") policy covering our Executives.

Culture of Ownership
We have executive stock ownership requirements which we review on a regular basis and revise as needed.

No Hedging
We prohibit Executives from engaging in any hedging or publicly-traded derivative transactions in Company stock.

No Pledging
We prohibit Executives from pledging Company stock as collateral for a loan or for any other purpose.

Independent Compensation Consultant
The Committee utilizes an independent compensation consulting firm, Frederic W. Cook & Co., Inc. The firm does not provide any other services to the Company.

What we don't do

X **No Long-Term Employment Agreements with Guarantees**
We have no employment contracts of defined length with our Executives and no multi-year guarantees for base salary increases, bonuses or equity compensation.

X **No Golden Parachute Tax Gross-Ups**
None of our Executives are entitled to tax gross-up payments other than on relocation and international assignment related payments or services that are business-related and also generally available to other employees.

X **No Repricing**
We have not repriced stock options nor are we able to do so without shareholder approval.

X **No SERP**
We have no supplemental executive retirement plan ("SERP").

X **No Change in Control Arrangements**
We have no severance arrangements specific to a change in control.

X **No Material Compensation Risk**
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.

X **No Dividends on Unearned Performance Awards**
We do not pay dividends on unearned performance awards.

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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 our 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 below under "Compensation Analysis Framework." In addition, the Committee considers the impact of base salary changes on other compensation components where applicable. 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 2015, and changes that occurred during the year.

Name	**Base Salary on 1/31/2015**	**Base Salary on 1/30/2016**	**Comments**
Arthur Peck	$950,000	$1,300,000	Mr. Peck's salary was increased when he was appointed as CEO on February 1, 2015. Mr. Murphy's salary on January 31, 2015 was $1,500,000.
Sabrina Simmons	$825,000	$875,000	Salary was increased in March 2015 as part of the annual review in light of expanded responsibilities and to position Ms. Simmons appropriately relative to other executives.
Jeff Kirwan	$850,000	$850,000	
Andi Owen	$850,000	$850,000	

Sonia Syngal	$600,000	$750,000	Salary was increased in February 2015 in light of expanded responsibilities.
Former Executive			
Stefan Larsson	$1,000,000	N/A	Mr. Larsson ceased to be an Executive in October 2015.

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Annual Incentive Bonus

Fiscal 2015 Annual Bonus

We have 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. Peck'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. Peck, 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 and organization objectives, to recognize results outside of the earnings and net sales goals.

In setting the fiscal 2015 annual bonus structure, the Committee considered our business priorities and the factors described below under "Compensation Analysis Framework." 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 Target**	
Arthur Peck	175	%	0 – 200	%
Sabrina Simmons	100	%	0 – 200	%
Jeff Kirwan	100	%	0 – 200	%
Andi Owen	100	%	0 – 200	%
Sonia Syngal	80	%	0 – 200	%
Former Executive				
Stefan Larsson	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. Actual bonuses are generally paid in March of each year.

Bonuses for fiscal 2015 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 2015 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

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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.

The following table shows fiscal 2015 earnings and net sales goals expressed as a percentage of fiscal 2014 actual results. Goals for fiscal 2015 were set at levels that required improvement from 2014 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 2014 actual results after adjustments to exclude charges related to strategic actions and the impact of west coast port delays. These adjustments did not impact bonus payouts. No other adjustments to the results were made other than neutralization of foreign exchange rate fluctuations. Mr. Larsson, who left the Company in October 2015, was not eligible to receive a payout and has been excluded from the table below.

		2015 Earnings / Net Sales Goals as a Percentage of Fiscal 2014 Actual Earnings / Net Sales			**Actual Fiscal 2015 Percentage Achieved After Adjustments**	
Name	**Company / Division**	**Threshold**	**Target**	**Maximum**	**Earnings**	**Net Sales**
Arthur Peck	Gap Inc.	91% / 103%	107% / 106%	111% / 106%	85%	100%
Sabrina Simmons	Gap Inc.	91% / 103%	107% / 106%	111% / 106%	85%	100%
Jeff Kirwan	Gap Global	97% / 104%	114% / 106%	120% / 107%	70%	99%
Andi Owen	Banana Republic Global	98% / 103%	109% / 107%	114% / 107%	73%	94%
Sonia Syngal	Gap Inc.	91% / 103%	107% / 106%	111% / 106%	85%	100%

Individual Objectives Component

Executives other than the CEO were eligible to receive bonuses based on individual performance and organization objectives. At the beginning of the year, 26 objectives were established for Gap Inc. with shared accountability by Executives. These objectives consisted of initiatives centered on three key themes: (i) product, which included objectives on product design, production and distribution; (ii) customer experience, which included objectives for store digital enablement, mobile advancements and future store design; and (iii) talent, which included objectives on talent retention, leadership assessment and development, and recruiting.

For Executives other than Mr. Peck, the extent to which these objectives were met, partially met, or exceeded was assessed qualitatively by Mr. Peck after 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 also had the discretion to consider some goals 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, as well as earnings performance, in determining a recommended payout. Payout amounts were then recommended to the Committee for consideration and approval.

Actual Bonuses

For fiscal 2015, performance against target earnings and net sales goals applicable to each Executive was well below targeted levels. The following table describes the calculation of the actual bonus for fiscal 2015 for each eligible Executive. Mr. Larsson, who left the Company in October 2015, was not eligible to receive a payout and has been excluded from the table below.

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Name	Base Salary	x	Target Percentage of Base Salary	x (	Actual Percentage Achieved: Financial Performance Component (1)	x	Weight	+	Actual Percentage Achieved: Individual Objectives Component (1)	x	Weight)	=	Actual Bonus
Art Peck	$1,300,000	x	175%	x (	0%	x	100%	+	N/A	x	N/A)	=	$0
Sabrina Simmons	$868,269	x	100%	x (	0%	x	75%	+	60%	x	25%)	=	$130,241
Jeff Kirwan	$850,000	x	100%	x (	0%	x	75%	+	60%	x	25%)	=	$127,500
Andi Owen	$850,000	x	100%	x (	0%	x	75%	+	50%	x	25%)	=	$106,250
Sonia Syngal	$750,000	x	80%	x (	0%	x	75%	+	60%	x	25%)	=	$90,000

Footnotes

(1) Actual percentages achieved are rounded for presentation.

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 our stock. Unlike some of the members of our peer group, we do not have a pension plan, and we rely on long-term incentives to provide a substantial percentage of each Executive's potential retirement savings. Long-term incentives have typically consisted of stock options, stock units or performance shares. 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 compensation 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. Stock-based awards are granted under our 2011 Long-Term Incentive Plan (the "2011 Plan"), which was approved by our shareholders. On February 23, 2016, the Plan was amended, restated, and renamed the 2016 Long-Term Incentive Plan (the "Plan"), subject to shareholder approval at the Annual Meeting. A description of the Plan is located on page 49 of this Proxy Statement.

In determining the long-term incentive structure and award amounts, the Committee considered the factors described below 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

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 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. Award amounts were differentiated based on the Executive’s role in the organization and competitive practice. All stock options granted to employees during fiscal 2015 had an exercise price equal to the closing price of our stock on the date of grant. The stock option grants received by our Executives are described in more detail in the Grants of Plan-Based Awards on page 39.

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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 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 our 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. The stock unit grants received by our Executives are described in more detail in the Grants of Plan-Based Awards on page 39.

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 pages 45-47 of this Proxy Statement.

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. Mr. Kirwan and Ms. Owen were appointed as Global Presidents and each received their first LGP grant in fiscal 2015. Mr. Peck's LGP target was increased to 450% of base salary in connection with his appointment as CEO, a level which in the Committee's judgment positioned him appropriately internally and relative to the peer group. 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 to receive a number of shares of our stock based on achievement against performance goals during a specified three-year performance period. Actual shares paid out, if any, will vary based on achievement of the performance goals.

The number of actual shares paid after the end of three years is based on two performance metrics: (i) 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 (ii) attainment of a cumulative Company earnings goal set at 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.

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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.

The table below describes the potential payout range as a percentage of the target award for the fiscal 2015-2017 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 performance share grants represent only an opportunity to earn actual shares of our 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. The same threshold, target, and maximum earnings goals described above under "Fiscal 2015 Annual Bonus" applied to the 2015 performance year under the LGP. We use earnings for both annual cash awards and performance-based long-term incentives because we believe that it is the best metric to drive shareholder value. The use of annual 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 strong linkage to overall long-term Company results. All payments are made in shares at vesting and dividends are not paid or accrued on unvested shares. Mr. Larsson, who left the Company in October 2015, is not eligible to receive a payout under any outstanding LGP awards.

Fiscal 2015 Award Potential Payout

Name	**Percentage of Base Salary**		**Target Number of Performance Shares**	**Potential Payout Range as Percentage of Target Shares**
Arthur Peck	450	%	141,749	0 – 300%
Sabrina Simmons	150	%	31,802	0 – 300%
Jeff Kirwan	150	%	30,894	0 – 300%
Andi Owen	150	%	30,894	0 – 300%
Sonia Syngal	100	%	18,173	0 – 300%
Former Executive				
Stefan Larsson				