

REWARDS

## Management Incentive Compensation Award Plan (MICAP)

# Fiscal Year 2014

### Who is Eligible?

Employees\* at the manager or equivalent level and above (grades 20 and above), full and part-time, who do not participate in another formal annual incentive program are eligible for MICAP. Employees may become eligible to participate during the fiscal year when they are hired or promoted into an eligible position. Employees hired or re-hired on or after November 1 will not be eligible for a bonus for that fiscal year. To be eligible, employees must be on Gap Inc.'s payroll on the date of payment. The performance period for fiscal year 2014 is February 2, 2014 through January 31, 2015. Subject to applicable law, Gap Inc. retains sole discretion to determine eligibility for MICAP participation and to determine the amount of any MICAP awards.

### About MICAP

The Management Incentive Compensation Award Plan (MICAP) is a discretionary plan intended to:

- Reward exceptional financial performance.
- Reward achievement of company and individual goals.
- Support our company's pay for performance philosophy.

As a MICAP participant, you have the potential to receive an annual incentive award in addition to your base salary. For exceptional performance, there is the potential for an exceptional award. If financial goals are not met or individual performance does not meet expectations, the plan may not pay out at all.

### How MICAP Works

Incentive awards are determined on an annual fiscal year basis. You are assigned an incentive target, which is expressed as a percent of your base salary (subject to award adjustments described below). Employees who participate in MICAP will have the following incentive targets as a percent of annual base salary:

Level	Incentive Target
Senior Director	25%
Director	20%
Manager	15%

Please refer to "How MICAP is Calculated" for further details.



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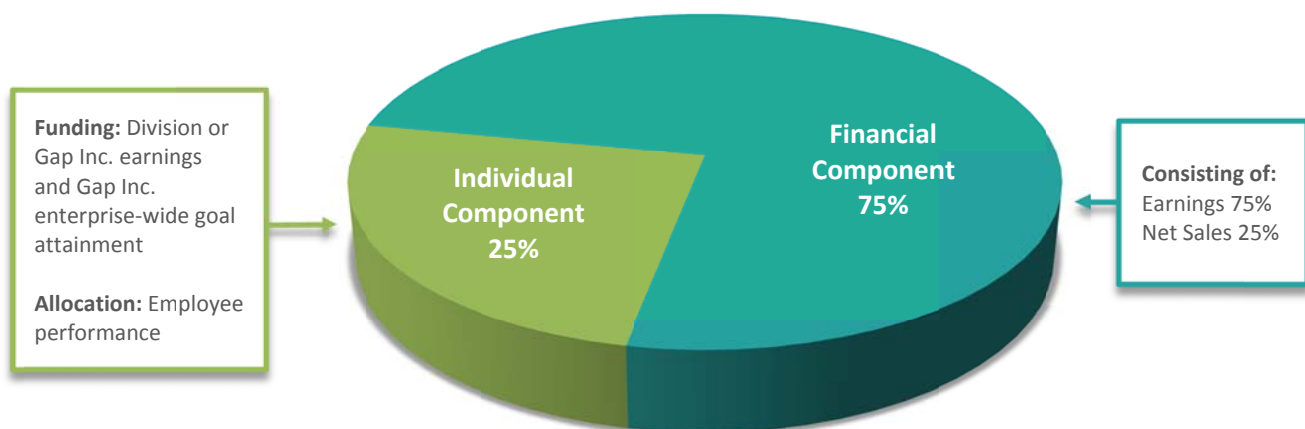
Two key components determine your MICAP incentive award. They are:

- **Financial Component** (75% of total target incentive opportunity)  
The financial component is based on two metrics, Earnings (weighted 75%) and Net Sales (weighted 25%). The Compensation and Management Development Committee of the Board of Directors approves threshold, target and maximum financial goals for Gap Inc. as well as for each operating division. If you're a division participant, the financial component will be measured at the division level. If you're a corporate participant, it will be measured at the Gap Inc. level. In certain instances, financial results may be measured at the region, country, or other level. Achievement of threshold earnings or net sales is required for payout on the financial component. Payout for the financial component will be between 0-200%.
- **Individual Component** (25% of total target incentive opportunity)

**Funding:** The pool of available funds for managers to allocate is determined based on two factors: business unit or Gap Inc. earnings performance, and CEO assessment of Gap Inc. achievement of enterprise-wide goals. Funding varies from 50% - 150% of Individual Component ("IC") target amounts.

**Allocation:** Once your business unit has its budget, a portion will be allocated to your manager. Your manager will determine the IC payout for you based on how well you performed. The range of payout for the individual component is 0-200%, working within budget.

### ProCAP/MICAP Performance Measures





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### How MICAP is Calculated

Your incentive award is calculated in three steps. These steps and an example are shown below. The example is based on the following assumptions:

Employee Name	John Doe
Annual Base Salary	90,000
Incentive Target	15%
Individual Component Payout % <i>(after funding determined, allocation percentage assigned by manager based on performance)</i>	108%
Financial Component Payout % <i>(based on earnings and net sales)</i>	80%

**Step 1:** Determine the payout for the individual component portion of your bonus.

**Step 2:** Determine the payout for the financial component portion of your bonus.

**Step 3:** Add the payouts from both the individual component and the financial component to determine your total bonus payout.

Individual Component (25%)	Financial Component (75%)
<b>Target Amount for Individual Component: 3,375</b> 25% x Incentive Target x Base Salary 25% x 15% x 90,000	<b>Target Amount for Financial Component: 10,125</b> 75% x Incentive target x Base Salary 75% x 15% x 90,000
<b>Individual Component Payout: 3,645</b> IC Target Bonus Amount x IC Payout % 3,375 x 108%	<b>Financial Component Payout: 8,100</b> FC Target Bonus Amount x FC Payout % 10,125 x 80%
<b>Final Individual Component Payout = 3,645</b>	<b>Final Financial Component Payout = 8,100</b>
<b>Individual Component + Financial Component = Final Bonus = 11,745</b>	

**NOTE:** Employees not meeting performance expectations will not be eligible for a bonus.



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### Award Adjustments and Limitations

MICAP awards are earned only at the time of payment. Management discretion is used to determine the award amount, if any. Awards will be adjusted based on time in position, division, country or region assignment and base salary/incentive target changes during the fiscal year. For example, if you are promoted or change jobs during the year, any MICAP award will be prorated based on the incentive target, base pay rate, and applicable financial goals for each position. Time spent on any type of Leave of Absence will not be included in bonus calculations. Awards may also be adjusted based on local legal requirements or practices.

Fiscal year 2014 bonuses are scheduled to be paid in March 2015. Taxes will be withheld from MICAP awards at the time of the payment. If you are eligible to defer all or part of your future incentive award payments, the Benefits department will send you information about Gap Inc.'s Deferred Compensation Plan.

### If You Leave Gap Inc.

MICAP is intended to reward employees who meet performance expectations and have continued service with Gap Inc. Therefore, subject to applicable law, bonuses are discretionary and are only earned on the date of payment. You must be employed by Gap Inc. on the date of payment to be eligible to receive an award.

In the event of your death, your beneficiary will be eligible to receive a lump-sum payment (equal to your prorated bonus) in March 2015.

### Questions

If you have questions regarding MICAP, please contact your manager or HR representative.

### About this Plan Summary

*This plan summary provides an overview of the provisions of the Management Incentive Compensation Award Plan (MICAP). Gap Inc. reserves the right in its discretion, to review, change, amend or discontinue the plan at any time, with or without prior notice, and to grant written exceptions to the plan. In the event of any inconsistency with other communications about the plan, written or verbal, this plan summary will prevail. The language in this plan summary does not constitute a guarantee of employment with Gap Inc.*

*\* Employees mean those employed by Gap Inc. and do not include temporary workers, independent contractors or leased employees, even if they are later reclassified as employees.*