

Target Corporate Responsibility Report 2008



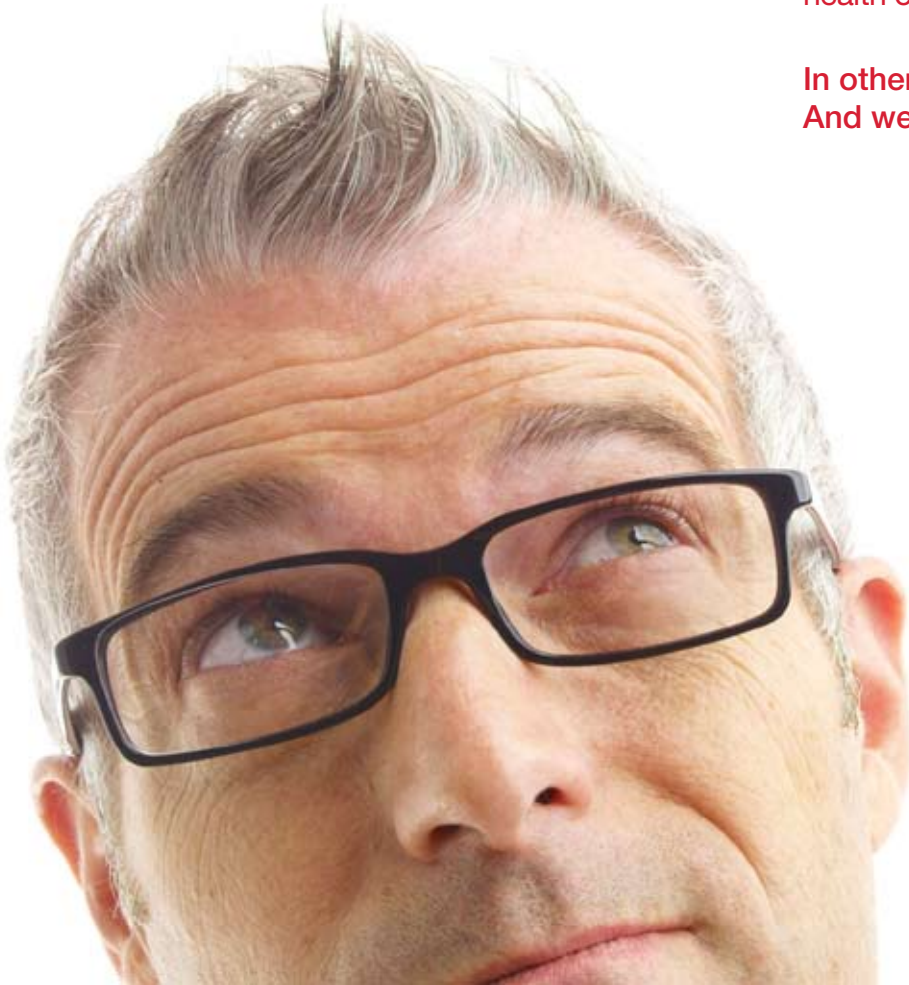
Since the doors of the first Target store opened in 1962, we've taken a differentiated approach to our business.

We're a convenient place to shop that's also fresh and innovative. We're a store that offers household staples alongside leading-edge design. And we're a company that has a global reach but is also deeply committed to our local communities.

And our business philosophy sets us apart, too: We're committed to profitable growth, but we're also committed to the social, environmental and economic health of the communities that our guests, team members and shareholders call home.

Take a look inside this report. Pages 1–14 offer a few snapshots of the ways we're working to make a positive impact. (Beyond Page 14, read on for a more complete look at our Target approach to corporate responsibility.) We're proud of our strong track record, but we also recognize that we can always do more. Just as we're always seeking to improve our merchandising, our stores and our systems, we're also constantly looking for ways to improve the social, environmental and economic health of the communities where we operate.

In other words, we're committed to doing good. And we're always striving to do better.



Social Responsibility.

We give a lot of thought to the impact we have on the communities where Target guests and team members live and work. That means giving a significant amount — 5 percent of our income, or more than \$3 million a week, plus countless volunteer hours — and paying close attention to all the ways we can help make our communities better places to live.





Learning to give: Community Relations

All over the country, schools are feeling the pinch of budget cuts and higher costs. Often there's barely enough money for basic classroom supplies, let alone extras like field trips, arts programs and library books. But if you remember your third-grade class trip to the zoo more clearly than you remember the Pythagorean theorem, you know that it's often those "extras" that produce the most indelible learning experiences.

That's why Target created the Take Charge of Education® (TCOE) program, which donates a percentage of purchases made on Target credit cards to K–12 schools that cardholders designate. Since we launched the program in 1997, we've donated more than \$246 million to schools.

Schools can use the donations for whatever they need. A high school in Michigan used TCOE funds to host a daylong workshop to promote tolerance and respect. An elementary school in Texas uses its donations to pay for a program that brings teen mentors in to work with kids who need extra help. There are as many TCOE stories as there are schools that receive checks from the program (that is, a solid 75 percent of America's K–12 schools). And in many cases, our team members are part of the story, too, volunteering to help out at schools that receive donations.

That's how it works at Target: We support teachers and classrooms in ways big and small, as a company and as individuals, with everything from funding for field trips to squads of volunteers who show up at schools to help kids learn to read.

We work well together: Pay & Benefits

When Denise Kirchoff's doctors told her she needed to make big changes in her life, she knew she'd have the support she needed at work. A senior systems engineer in Target Technical Services, Kirchoff was diagnosed with a kidney disease that would require her to have a transplant — but she needed to get healthy to improve the odds of a successful surgery.

Kirchoff enrolled in several of the wellness programs that Target offers its team members, including a "10,000 Steps" walking regimen, a Weight Watchers program and free trial memberships at local health clubs. When she received a donor kidney in 2006, her surgeon told her that the surgery was the easiest and fastest he'd ever done because she was in such good shape. Kirchoff continues to take advantage of Target-sponsored wellness programs to maintain her good health: "Target has provided me the tools and opportunity to realize my fitness goals and to extend them," she says.

We want all of our team members to have access to the resources they need to get and stay healthy. The way we see it, it doesn't make sense for us to offer health benefits that help pay medical and pharmacy expenses without also offering resources such as a healthy-pregnancy program, wellness coaching, health-risk assessments and more, for team members to improve their health and prevent illness. Team members are responding to our messages about wellness: The number of team members who took advantage of wellness visits increased 4 percent between 2006 and 2007; and in 2007, the percentage of team members getting immunizations increased almost 25 percent over the previous year.





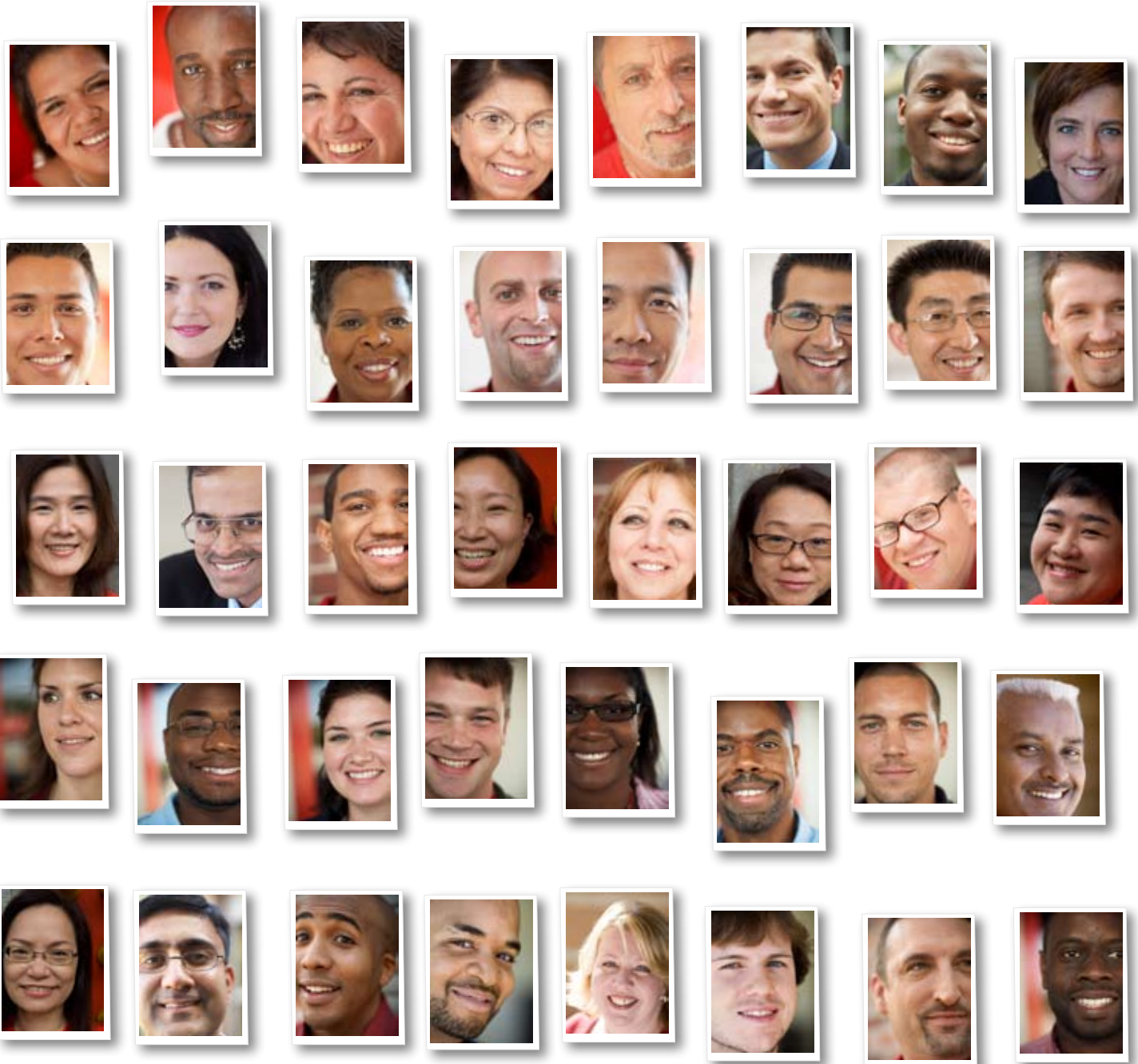
Safe at home: Assets Protection

It's important to us for Target stores to be safe places to work and shop, where team members and guests alike feel comfortable. So when we decided to build a new store in Compton, Calif., we saw a chance to help the whole community make a fresh start — not only by boosting economic development and creating jobs, but by helping to make Compton a safer place to live.

We invited Compton's mayor and city manager to join members of the Los Angeles County Sheriff's Department in a visit to Minneapolis to check out the Safe City initiative spearheaded by Target in 18 cities, and growing, which brings together businesses, residents, city government and law enforcement to reduce crime. Technology is an important part of the program

— Target contributed a major grant to purchase high-tech crime tracking and prevention tools for the city — but so is good old-fashioned conversation among people who have a stake in safer communities.

The numbers tell the story. Overall crime rates are down (in 2006 and 2007, Compton saw the lowest number of homicides since the city began keeping records); thanks to new technology in some police cars, Compton police have been able to recover 88 percent of the stolen cars in the city — and have been able to free up other police cars to focus on neighborhood crime-fighting efforts.



Realizing potential: Diversity

Quendrida Whitmore started to map her journey as a Target team member more than 17 years ago, when she was a newly minted high school grad recruited for the INROADS internship program for talented students of color.

Today, after store and headquarters internships (which lasted through all four years of college) and more than eight years as a buyer, Whitmore is an Assets Protection executive who's passionate about her job, about Target and about a work environment where people understand the importance of seeking out and nurturing diverse talent. "I found my true passion," she says, "and I think that's a direct outgrowth of the mentoring that began when I became a part of INROADS."

Target sponsors more INROADS internships than any other retail company. This year, we welcomed more than 200 interns to our stores, headquarters and distribution centers — and we expect 70 percent of them to become full-time team members. INROADS is just one of the tools Target uses to build a team of people with wide-ranging perspectives who challenge old assumptions and give rise to big new ideas. We've long been committed to diversity because it's the right thing to do — but we also know that in a rapidly changing global marketplace, diversity is more than a noble idea. It's a business imperative. Accordingly, we keep it top of mind when we develop strategies for recruiting, training, developing and mentoring the people who work here. We want our high-potential team members to map out challenging, rewarding long-term careers for themselves at Target.



Preserving a sense of place: Government Affairs

The strongest communities are those that maintain a connection to the past while they plan thoughtfully for the future. In Lancaster County, Pa., the rich traditions of Pennsylvania Dutch settlers are a big part of what makes the area a desirable place to live and visit — but those traditions need protection in the face of rapid population growth and land development.

As a company whose own history goes back more than a century, Target has a keen interest in contributing to the preservation of communities' heritage. When we built a store in East Lancaster, our design team took great care to integrate the property's design with that of an adjacent Amish homestead, farmed since 1715 and now open to the public as an educational site.

We've developed a partnership with the National Trust for Historic Preservation to explore ways that we can help preserve a sense of place in the areas where we're building new stores and remodeling existing ones. Our growth strategy and design philosophy have a lot in common with the goals of the National Trust: great architecture, sustainable practices and urban revitalization. And our innovative work in sustainable design can help the National Trust in its own quest for efficient, environmentally friendly design solutions.

Environmental Responsibility.

We know we can't solve our planet's environmental issues single-handedly. But we can make a difference ... one product, one improvement, one new idea at a time.



Designing product solutions: The Retote bag

Take a look at the tag inside every Retote reusable shopping bag for a neat summary of the Target approach to sustainability: “It took a combination of ingenuity and technology to create the Retote bag.” And one look at the stylish bag itself makes it clear that our eye for great, accessible design informed the whole process.

The Retote bag does recycling one better by “upcycling” used plastic bags. Instead of using large amounts of energy to melt down old bags and re-manufacture them into new ones, the energy-efficient Retote process stitches together 20 used bags into one practically indestructible, infinitely reusable bag. Our partner, TerraCycle, came up with the technology; we created the innovative, brand-right design that turns a sustainable shopping choice into a full-on fashion statement.

We introduced the Retote bag in a special issue of *Newsweek* magazine dedicated to environmental issues. Readers were invited to fold the magazine cover into an envelope and use it to mail in used Target bags to receive a coupon for a free Retote bag. More than 41,000 people did just that, and another 25,000 have bought Retote bags in our stores — which not only pulled more than 750,000 plastic bags out of the waste stream, but also showed thousands of consumers just how fashionable it can be to reduce, reuse and upcycle.



Stream of consciousness: Stormwater planning

Ohio's Little Darby Creek, not far from Columbus, is home to 37 rare and endangered species of fish and mussels, and more than 170 kinds of birds, mammals, reptiles and amphibians. The creek's biodiversity and beautiful landscape led the Nature Conservancy to select it as one of the 12 "Last Great Places" in the Western Hemisphere ... and Target is doing its part to help keep it a great place.

Most of the stormwater runoff from our distribution center in West Jefferson, Ohio, eventually flows into the creek. As with many of our stores, other distribution centers and headquarters locations, we designed this site with sophisticated stormwater management systems to prevent contaminants from entering the watershed. We built a stormwater basin and filled it with more than 20 types of native plants to provide habitat for birds, frogs and butterflies while cleaning and filtering the water as it leaves our site. To control erosion and improve the upland and wetland areas around the facility, we also created a planting and restoration plan with annual tasks; this year, we'll conduct controlled prairie burnings and remove invasive species.

Wherever we build, we understand that the environmental impact reaches far beyond the immediate site. We take special care with every project to adhere to regulations that protect local water quality, conserve water supplies and preserve wildlife habitats. We work closely with local agencies to meet requirements and formulate plans for protecting and improving environmentally sensitive habitats like wetlands, surface water and woodlands.





Central intelligence: Reducing our carbon footprint

Electricity and natural gas make up the biggest piece of Target's carbon footprint, so it's not hard to see why energy efficiency is a major area of focus for us: More than 80 percent of the energy used by a typical Target store goes toward powering its heating and cooling, lighting and refrigeration systems. When we control our energy use, we reduce our costs and do our part to reduce greenhouse-gas emissions: According to the U.S. Green Building Council, buildings are responsible for 39 percent of all U.S. CO₂ emissions and use 71 percent of the nation's electricity.

In 1989 we began using an energy management system that aids us in optimizing our energy consumption. The system is centralized at Target headquarters, so we can implement company-wide energy policies and troubleshoot our lighting,

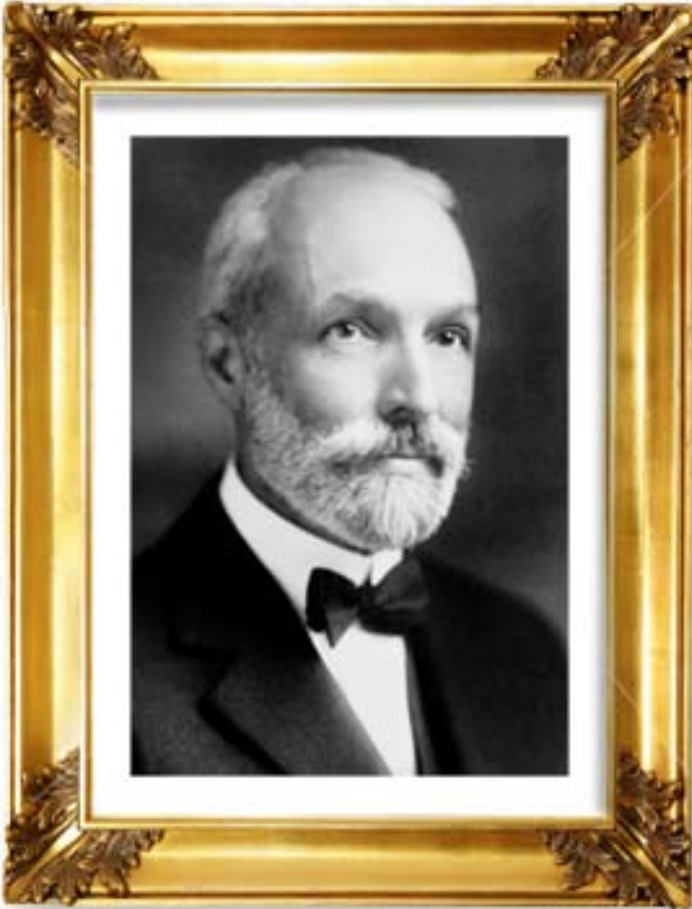
refrigeration, heating and cooling, and exhaust systems. If equipment needs servicing or a store is too warm or too cold, the system generates an alarm that gets immediate attention. We keep an eye on our refrigeration units with a state-of-the-art, Web-based system that controls temperatures, generates redundant alarms if product temperatures go out of range, and maintains energy-efficient defrost cycles.

And we're always looking for new ideas. The simple act of reducing our after-hours store lighting requirements has already saved us more than \$10 million per year, not to mention more than 110 million kilowatts of energy. We're also evaluating the feasibility of retrofitting stores' on-site energy generation systems to include renewable sources like solar panels and fuel cells.

Economic Responsibility.

Target is committed to delivering a superior return to shareholders — and it's just as important as the “Expect More. Pay Less.” brand promise we make to our guests.





In the business of integrity.

George Draper Dayton, who, in 1902, founded the company that would become Target, believed that integrity in business meant “doing the things you ought to do, as you agreed to do them, when you agreed to do them.” More than a century later, Dayton’s scrupulous sense of ethics informs all that we do at Target. We manage our operations thoughtfully, with a well-defined corporate governance strategy and a tradition of continuity in leadership that represents another legacy of the Dayton era: Our new chief executive officer, Gregg Steinhafel, is a 29-year Target team member.

From our leaders to our front-line team members, we have a strong commitment to operating in a way that goes beyond basic compliance to a standard of ethical performance. Our commitment to ethical conduct was recognized recently by *Ethisphere* magazine, which ranked Target among the world’s most ethical companies. In its audit of more than 5,000 companies across 30 industries, the magazine recognized companies that “go beyond making statements about doing business ‘ethically,’ to translate those words into action.”

Our reputation for legal and ethical behavior enhances our brand and helps us thrive in the competitive marketplace as we create more opportunities for profitable growth. We feel certain that the way we’ve chosen to conduct ourselves is responsible for much of our business success: A \$1,000 investment in Target stock made at the end of August in 1998 would be worth more than \$3,000 10 years later.

A closer look: The business case for corporate responsibility

Since the doors of the first Target store opened in 1962, we've stood out from the retail crowd. We're a convenient place to shop that's also fresh and innovative. We're a store that offers household staples alongside leading-edge design. And we're a company that has both global reach and close ties to local communities.

Another big difference: We're committed to growing our business, but we measure our business success by more than the bottom line. In fact, we're equally committed to the social, environmental and economic health of the communities that our guests, team members and shareholders call home.

Our long tradition of corporate responsibility is not only the right thing to do — it's good business. Guests want to do business with companies they assess as having a good corporate character. In fact, a recent survey shows that 82 percent of Target guests believe it is every company's responsibility to support the community, and many guests make a special point to buy from companies that give.

More and more people — particularly young people — want to work for a company with a strong reputation for corporate responsibility. We know they weigh our stance on social,

environmental and economic issues when deciding whether to apply. A study released on WorkForce.com revealed that companies perceived as socially responsible often have a competitive edge when it comes to attracting top recruits.

Moreover, the number of socially conscious investors who consider a company's corporate responsibility track record is growing rapidly: According to a report published by the Social Investment Forum, this group has more than doubled in the last decade, now investing nearly \$2.3 trillion worldwide.

That's why we take responsibility for our social, environmental and economic impact — and want to share it in the pages that follow: We know it creates value for our guests, team members, shareholders and communities while helping us contribute to a healthier world.

We're proud of our strong track record. We also recognize that we can always do more. We are committed to continuous learning and, just as we are always striving to improve our merchandising, our stores and our systems, we're also constantly looking for ways to improve the social, environmental and economic health of the communities where we operate.





The Target Corporate Responsibility Statement:

Target is committed to the pursuit of profitable and sustainable growth, consistent with our unwavering dedication to the social, environmental and economic well-being of the global community in which our guests, team members and shareholders live and work.

Our commitment to corporate responsibility reflects a conscious, companywide dedication to continuous innovation and improvement in everything we do. We strive to ensure the ongoing health and strength of our communities by giving more than \$3 million each week to support education, the arts, safe

families and communities. Additionally, our team members and retirees volunteer hundreds of thousands of hours to community projects. We show respect for our physical environment through products we offer, facilities we build, vendors with whom we work, and resources and materials we use. And we pursue strategies that reward our shareholders by generating a superior return over time.

We are committed to consistently delighting our guests, providing a workplace that is preferred by our team members, and investing in the communities where we do business to improve their quality of life. This unique combination helps us create the excitement Target guests expect and the shopping experience that makes Target... Target. We constantly strive to be better for our guests, team members and shareholders — and that's a commitment we'll keep in the years to come.



In the following pages, we provide an in-depth look at:

18 Our social responsibility initiatives, including:

- Community giving — financial and product contributions, plus volunteer hours
- Our commitment to creating a satisfying work environment by building a diverse team, providing pay and benefits that align with the external market, and engaging in civic activities that advocate our team's interests
- Ensuring that our vendors comply with ethical and product safety standards

40 Our environmental responsibility initiatives, including:

- Working together to lessen our environmental impact
- Reducing our carbon footprint
- Maximizing the life-cycle of materials used in our facilities, our operations and our merchandise
- Managing our facilities and natural resources

56 Our economic responsibility initiatives, including:

- Our commitment to strong corporate governance
- Our guidelines for appropriate business conduct
- Our efforts to build shareholder value



At Target, we are committed to the pursuit of profitable and sustainable growth. While we are proud of our solid track record as a responsible corporate citizen, we recognize that we have opportunities to do better. As a result, we are working hard to integrate sustainable business practices throughout our company, from the stores and facilities we build, to our vendor partnerships and the materials we use in the products and packaging we offer to our guests.

Enhancing the communities where our guests and team members live and work has always been — and will always be — a priority for Target. Since 1946, we have given 5 percent of our income to organizations that support education, the arts and social services. Today, that giving totals more than \$3 million each week and hundreds of thousands of volunteer hours in communities around the world.

And we take pride in the strong corporate governance and integrity that have guided our growth and performance for decades. We believe our commitment to these principles will continue to strengthen our reputation and results for a long time to come.

This report provides information about the work we're doing to make Target an even better corporate citizen. We believe this is both an opportunity and a responsibility, and we will continue to provide updates on our social, environmental and economic initiatives.

Sincerely,

Gregg Steinhafel
President and CEO

Social Responsibility.

Our company founder's son, George Nelson Dayton, established a standard of giving in 1946 that remains our model of giving at Target today—contributing 5 percent of our income to programs that serve our communities. Today, this long-standing tradition means that more than \$3 million every week go to support education, the arts, social services and volunteerism.





Our financial support is just the beginning. Team members and retirees across the country regularly offer hands-on help to local nonprofit organizations, volunteering hundreds of thousands of hours of their time and talent to community projects. This philosophy of giving and helping is embraced at every level of our organization and in local communities large and small. It's in our DNA.

Our commitment to the community supports our business in many ways. It strengthens our brand and reputation, helps our guests view Target positively, and inspires our team members who want to work for a socially responsible company. We hope our leadership encourages others to support the community as well.

Given the diversity of our communities, we're committed to hiring and developing a diverse group of team members in all our locations, and to offering a selection of products in our stores that appeal to our guests' wide-ranging tastes, cultures and lifestyles. Fostering an inclusive culture has long been one of our strengths, and will continue to be an important part of our business strategy as we expand into new markets.

We want Target to be an employer of choice for talented, high-potential team members, so we offer a variety of pay-and-benefit plans and programs for different stages of life, as well as tools and resources to help team members manage their physical, emotional and financial well-being. Our compensation is governed by a clear pay-for-performance philosophy that differentiates us from our competitors; because Target leaders have a direct impact on our financial results, they are rewarded both for their personal performance and the company's financial performance. We contribute our voice to health care policy by actively participating in professional and industry coalitions and by representing our team's interests in the legislative process.

Finally, we take seriously our responsibility to ensure that no matter where vendors are located, those who manufacture products that carry the Target brand treat workers fairly and comply with our high ethical and product safety standards, which in many cases exceed standards set by governing agencies in the United States and overseas.

Community giving

Strengthening families and communities through innovative programs and partnerships has always been part of the Target philosophy. We continue the tradition set by our company founders of contributing 5 percent of our income to the community — far outpacing the national corporate average of less than 1 percent — and we're proud to be one of very few companies to sustain such a high level of giving. Today, we give more than \$3 million every week to programs in three primary areas: education, the arts and social services.

Education: Building a love of lifelong learning

Our guests — many of whom are families with young children — tell us that education is one of their biggest priorities. We've created innovative education programs that reach children from birth through high school.

Tools for teachers

Target helps give educators the tools they need to enrich the classroom experience and inspire students to embrace learning.

Take Charge of Education® (TCOE) takes the longtime Target tradition of giving into the heart of our communities: our schools. Since 1997, we've donated more than \$246 million to schools nationwide through this innovative program, benefiting approximately 75 percent of the eligible K–12 schools in the

country. Target cardholders are able to designate an eligible K–12 school of their choice. We donate 1 percent of their Target® Visa® Credit Card, Target Check CardSM or Target Credit CardSM purchases made at Target and Target.com, and 1/2 percent of Target Visa purchases made anywhere else, to guests' designated schools, which receive payout checks in March and September each year.

TCOE funds are unrestricted, so schools can use the money for their greatest needs, from textbooks to computer equipment to athletic uniforms. Unrestricted funds are the hardest for a school to raise and every school's needs are unique, so it's important to us that we give schools total flexibility in allocating these funds. The top three uses of TCOE funds include student rewards and incentives (17 percent), classroom supplies and equipment (16 percent), and field trips (9 percent).

"I just wanted to thank you from the bottom of my heart for what you do to support your local community schools. Your check always arrives in the spring when campus funds are low and you have to stretch them to make it to the end of the year. It is always a very nice surprise.

We use the program money to purchase things like study guides, a WeatherBug Station, award ribbons for fourth grade students for "Play Day," club T-shirts and to supplement student curricula.

I can't thank you enough for this program and all it does to support education. We love Target and it makes me even more proud that I shop at your stores."

— School Secretary, Texas

Since its inception, more than 5.4 million Target cardholders and more than 112,000 schools have participated in TCOE, available to any K–12 public, private or charter school with a 501(c)(3) or 509(a)(1) tax-exempt status. To learn how much a specific school has received in donations, visit Target.com/tcoe or call 800-316-6142.

Kids in Need/Teacher Resource Centers solicit school supplies and distribute them for free to teachers for use by children most in need. When the Minneapolis center opened in 1999, we became one of the first sponsors. Today, we are the national presenting sponsor of all 24 centers across the country.

Early Childhood Reading

Studies show that children who haven't learned to read by age 9 may never catch up. Our national reading programs and local reading grants provide the resources, tools and inspiration kids need to develop a lifelong love of reading.

Ready.Sit.Read![®] helps raise parents' awareness of the importance of reading to and with kids with resources like reading tips and in-store book recommendations.

Book Festivals sponsored by Target in cities across the country get kids and their families excited about reading through fun activities, live entertainment and the chance to meet their favorite authors and illustrators.



Target Field Trip Grants

Educational research shows that a great deal of important learning takes place outside the classroom and that field trips are a valuable supplement to classroom activity. A study by Western Illinois University has shown that 97 percent of students significantly increase their test scores after a field trip, and also retain the knowledge for a period of three to six months. However, at too many schools, funding cuts mean field trips to broaden kids' horizons are out of reach. That's why we launched our Field Trip Grants program in 2006. During the program's first year, 112,000 students from 800 schools across the country participated in Target-sponsored field trips; we awarded 1,600 grants worth up to \$1,000 each. Every grant is accompanied by a kit teachers can use to celebrate and document the special occasion for their students. For the 2008–2009 school year, we'll more than double the number of grants awarded.

"The field trip grant that I received from Target paid the admission fees for 140 fifth-graders at the Museum of Tolerance," says Gabriel Garcia, a teacher at Humphreys Avenue Elementary School in Los Angeles. "The exhibits we visited helped bring our unit on heritage to life. When it came time to test my students, I noticed a drastic improvement in test scores. Many students wrote essays about how our museum trip made them want to further explore their family heritage."



United Through Reading

United Through Reading keeps military families connected. Deployed military parents are recorded reading to their children on DVD; then the DVD is mailed to their families back home. Our support has helped the program expand to all branches of the military. In 2007–2008, we distributed 750 starter kits to make it easy for our troops to participate in the program. Army participation has increased 127 percent, Marine Corps 110 percent and Navy 53 percent. Thus far, more than 100,000 military personnel and their families are served by the program.

Reach Out and Read® promotes early literacy by building on the unique relationship between parents and medical providers: Pediatricians and other clinicians are trained to encourage parents to read aloud to their children and give each family a new book to take home at every wellness visit, from birth through age 5. Three million children participate in Reach Out and Read annually, 4.9 million books were distributed in 2007, and 163 Target stores gave local early childhood reading grants to Reach Out and Read sites nationwide in 2007.

Read Across America events were held in more than 600 Target stores across the country, with more than 1,000 team members reading books aloud to our young guests and their families.

Target stores award **local reading grants** to schools, libraries and nonprofit organizations that offer programs designed to promote a love of reading and to encourage families to read together. These grants focus on programs for kids from birth through third grade; you can find more information at Target.com/grants.

Grants and scholarships

In addition to the millions we donate to K–12 schools each year, Target supports nonprofits dedicated to providing grants and scholarships for higher education, including:

The United Negro College Fund, the nation's most successful education assistance organization for African Americans. In addition to providing scholarships, we support programs that raise operating funds for colleges and universities and give students and faculty better access to technology.

The Hispanic Scholarship Fund, the largest Hispanic scholarship-awarding organization in the country. We offer financial assistance through scholarships to many deserving students.

Target Store Grants support local communities. Each of our more than 1,600 stores is empowered to fund arts, early childhood reading and family violence prevention programs on

an annual basis. These grants support local projects like cultural festivals that bring families and communities together, story time for preschool children and shelters for victims of domestic violence. Grant applications are accepted at Target.com/grants from March 1 through May 31. Store grants are supplemented by the volunteer support of Target team members nationwide.

International giving

Although Target doesn't have stores outside the United States, we're truly a global company: To bring our guests the best-quality products for the best value, we source our merchandise from all over the world through Target Sourcing Services. We have team members and vendors in nearly 40 countries worldwide — and we want to help strengthen their communities, too.

Since 2002, the Target International Giving Program has helped children, families and communities in need in countries including China, India, Mexico and Guatemala. In 2007, the program awarded more than 70 grants to Non-Governmental Organizations (NGOs) in 18 countries where our team members and vendors live and work.

We support NGOs in their work to provide quality, accessible educational opportunities for children and youth. For example, Target grants enable children in Indonesia to attend school so they can improve literacy skills. Teenage girls in Guatemala at risk for dropping out can continue their education. And children from China to Mexico to India can expand their knowledge about the world in libraries and computer labs made possible by our grants.

Target team members around the world participate in volunteer projects and deliver educational supplies to organizations in need. In Sri Lanka, for example, team members volunteered at and donated educational kits to the Sri Vimalasiri Sunday School, which was affected by the 2005 tsunami. And in Portugal, our office donated educational kits to two schools whose students' families are unable to care for them.

Arts: Accessibility for everyone

The arts have the power to bring communities together and help us see the world from different perspectives. We're committed to making arts and cultural experiences more affordable and accessible for families and children.

When our communities don't have easy access to the arts, we bring the arts to them. Every year, more than 4 million people see productions by the not-for-profit **TheatreworksUSA**; during the 2007–2008 school year, Target sponsored three Theatreworks national touring productions.

The **Sphinx Organization** fosters diversity in classical music by increasing African-American and Latino students' participation. Target's sponsorship of the Sphinx Musical Encounters brings classical music into schools across the country through workshops by the Sphinx Laureates, young classical musicians of color who love to share their art with kids.

Each of our stores keeps the arts accessible by making grants to local schools and nonprofit arts organizations. Funded programs include cultural festivals, outdoor concerts and artist-in-residence programs. Log on to Target.com/grants for more information.

Democracy of design

Great design at affordable price points is a hallmark of the Target brand. We invest in tomorrow's designers by contributing to design schools all over the country and by sponsoring institutions like the Target National Design Education Center at the Cooper-Hewitt National Design Museum in New York City. We also support programs that fuse our enthusiasm for design with our focus on education. For example, "Great Schools by Design," a partnership with the American Architectural Foundation, challenged students to improve the quality of America's schools through design.





Museum and Theater Partnerships

At the heart of Target's support of the arts are free days, reduced-admission programs and touring programs. We sponsor more than 1,700 free days each year at more than 30 U.S. museums and theaters.

1 Anchorage

- Native Heritage Center: Target Free Family Days

2 Atlanta

- The High Museum: Target Free Family Fun Days
- The Children's Museum of Atlanta: Target Free Second Tuesdays

3 Boston

- Institute of Contemporary Art: Target Free Thursday Nights
- Boston Children's Museum: Target \$1 Fridays

4 Chicago

- The Art Institute of Chicago: Target Free Thursday Evenings
- Chicago Children's Museum: Target Free First Mondays
- The Field Museum: Target Free Second Mondays
- National Museum of Mexican Art: Target Free Admission
- Museum of Contemporary Art: Target Free Tuesdays

5 Dallas

- Nasher Sculpture Center: Target First Saturdays

6 Denver

- Denver Art Museum: Family Days
- Museo de las Americas: Target Free Family Days
- Denver Children's Museum: Target Free First Tuesdays

7 Detroit / Flint

- Flint Institute of Arts: Target Free Saturdays
- Detroit Symphony Orchestra: Target Harmony in the Metroparks
- Arab American Museum: Target Free Family Sundays
- Charles H. Wright Museum: Target Free First Sundays

8 Houston

- Museum of Fine Arts: Target Free First Sundays

9 Indianapolis

- Children's Museum of Indianapolis: Target Free Family Nights

10 Los Angeles

- California African American Museum (CAAM): Target Sundays
- Museum of Latin American Art (Molaa): Target Free Sundays
- Los Angeles County Museum of Art (LACMA): Target Free Holiday Mondays
- The Children's Museum @ La Habra: Target Free First Saturdays

11 Miami

- Miami Children's Museum: Target Free Third Fridays

12 Milwaukee

- Milwaukee Symphony Orchestra: Free Family Summer Concerts

13 Minneapolis / St. Paul

- Minneapolis Institute of Arts: Target Family Days
- Minnesota Children's Museum: Target Free Third Sundays
- Minnesota Orchestra: Target Free Family Concerts
- Walker Art Center: Target Free Thursday Nights

14 New York City

- Brooklyn Museum: Target First Saturdays
- Museum of Modern Art: Target Free Friday Nights

15 Phoenix / Mesa:

- Arizona Museum for Youth: Target Free First Sunday
- Arizona Museum of Natural History: Target Free First Sunday
- Mesa Contemporary Arts Center: Target Free First Sunday

16 Portland

- Portland Children's Museum: Friday Night Live!

17 San Francisco

- Asian Art Museum: Target Free First Sundays

18 Seattle

- Seattle Children's Theatre: Target Family Matinee Series
- Wing Luke Asian Museum: Target Free Third Saturdays

19 St. Louis

- Magic House: Free Family Nights

20 Washington, DC

- John F. Kennedy Center for the Performing Arts Millennium Stage: free performances every night at 6 p.m.

Social services: Partnerships that work

When the communities where our stores are located are safer places to live and work, everybody wins. That's why we're always working to build stronger, safer communities through disaster preparedness, relief and recovery efforts, and partnerships with local and national law enforcement and criminal-justice agencies.

Disaster preparedness, relief and recovery

We know tragedy can strike a community at any time. Because we want to keep our team members and guests safe, we have a long-standing commitment to supporting disaster preparedness, relief and recovery efforts.



In October 2007, when wildfires raged throughout Southern California, we were prepared to help communities in need: We accounted for all team members, donated more than \$1 million in relief including financial and product donations, offered volunteer support, ensured our stores and parking lots were safe, and provided the use of our parking lots as safe haven for local residents.

"The coordination between our organizations during this devastating event was exemplary and demonstrates the value of government and the private sector working together to best assist the victims of disasters. Your work during the fires to coordinate information and resources in support of state and local operations helped ensure that victims of the fires and first responders had critical aid in a timely manner. The work of Target in this event truly made a difference."

— Henry R. Renteria, director, California Governor's Office of Emergency Services

So help is always at the ready: We donate supplies, volunteer hours, funding and expertise throughout the year to our partners at the American Red Cross, Feeding America, formerly known as America's Second Harvest, The Salvation Army and the National Center for Missing and Exploited Children. We constantly refine our business processes so we're prepared to keep our team members safe and secure, return to business as usual after any disaster, and support our guests and communities without disruption.

We also strive to build a culture of preparedness among our team members so they can recover quickly from a crisis at home or in the community. Every September, we promote National Preparedness Month with educational materials for our team members and guests.

Law enforcement partnerships

We strive to make Target stores safe places to work and shop, where both team members and guests feel comfortable. We work closely with law enforcement agencies to prevent, deter and detect crime, create safe environments and share resources, expertise and information.

We created the **Target & BLUE®** program to share technology, expertise and resources with law enforcement in many different ways:

- The **Safe City** community partnership brings businesses, residents, city government and law enforcement together to reduce crime. Technology plays an important role, but so does good old-fashioned conversation among people who share a common goal of safer communities.
- Our Assets Protection **Forensic Services** team is a trusted resource for police departments, regularly sharing our expertise in analyzing audio, video, computer data and fingerprints.
- **Law Enforcement Grants** to more than 250 agencies each year help fund equipment, training and programs that enhance community safety. Grants are used in many ways — from purchasing night-vision scopes to providing child identification kits.
- Target sponsors such law enforcement associations as the International Association of Chiefs of Police, which provides education and support to local community protectors, and the Police Executive Research Forum, a think tank offering innovative policing strategies intended to create safer communities.
- We're a charter member of the **Customs-Trade Partnership Against Terrorism (C-TPAT)**, working with the U.S. Department of Homeland Security and U.S. Customs and Border Protection to improve security practices and reduce risks in the supply chain. (For more details, see Page 39.)
- For the last four years, Target has been the exclusive sponsor of National Night Out (NNO), a community crime-prevention event created by the National Association of Town Watch. More than 35 million people in more than 10,000 communities participate every year in NNO, which celebrated its 25th anniversary in 2008.



Thanking those who help keep us safe

For many years, Target has been proud to donate funds and volunteer hours to local and national veterans' and military organizations. We help distribute care packages to our troops stationed overseas through Operation Gratitude; fund the World War II Memorial in Washington, D.C.; keep military families connected via the United Through Reading program (see p. 20); provide grants for children of deployed parents through Our Military Kids; and provide support for VFW's Voice of Democracy program, a scholarship competition that invites students to write and record a patriotic-themed broadcast script.

Since 2002, a malicious e-mail campaign misrepresented our support of U.S. soldiers and veterans — and because of the nature of online communication, the original false e-mail has been repeatedly modified and perpetuated by unknown writers. Here are the facts: We are, indeed, a publicly held American company, based in Minneapolis since 1902, when we were founded by entrepreneur George Dayton. We've never been a foreign-owned company. We've supported many charitable causes over the last

106 years. And we're proud to support the American troops and veterans, who have given much to help keep us all safe.

In fact, the Veterans of Foreign Wars (VFW) posted information on its Web site warning members not to give this rumor any credence; visit www.vfw.org/news/target.htm for more.

The truth is, we're proud to count many veterans and military reservists among our more than 360,000 team members nationwide. To thank them for their service, we provide activated reservists with benefits (including pay differential) that surpass the benefits required by law. The Reserve Officers Association has recognized Target for these benefits, and the National Committee for Employer Support of the Guard and Reserve lists us as a "supportive employer" on their Web site at www.esgr.org. Target team members who are activated for military service and were participating in optional dependent coverage at the time of their deployment are eligible to continue these benefits. In compliance with federal law, Target Corporation allows any Target team member to continue benefits as provided by the 1986 Consolidated Omnibus Budget Reconciliation Act (COBRA).

A home away from home

St. Jude Children's Research Hospital in Memphis, Tenn., is one of the world's premier centers for research and treatment of life-threatening diseases in children. Target's support of St. Jude includes Target House, a free home away from home for the families of patients who require at least 90 days of treatment.

Target House opened in 1999 with 50 fully furnished two-bedroom apartment suites and expanded in 2002 to add 46 more. Today, thanks to Target House, all families who must remain at St. Jude long-term have their housing needs met. Through 2007, Target House has saved families the cost of more than 460,000 hotel beds while providing them with a supportive and comfortable home.

Target continues to support St. Jude and Target House by donating the proceeds from the sale of specially produced products during our annual in-store "Thanks in Giving" holiday campaign and has facilitated additional donations from our vendors and celebrity partners like Tiger Woods and Scott Hamilton. Our celebrity friends and our team members volunteer at Target House throughout the year.



Family violence prevention

Nationally, Target sponsors hundreds of organizations that provide programs and services aimed at breaking the cycle of family violence. These include:

- National Domestic Violence Hotline
- Prevent Child Abuse America
- Local family violence prevention organizations

Target Foundation

The Target Foundation focuses on the Minneapolis/St. Paul metropolitan area, where our corporate headquarters are located. We partner with social service organizations that provide people at risk with food, clothing and shelter through programs like emergency, transitional and permanent supportive housing, youth shelters, food shelves, hot-meal programs and clothing distribution. We also support arts and cultural organizations to help make their programs accessible to the community.

Target Volunteers: Making time to give time

At Target, being involved in the community means much more than giving \$3 million every week to local and national nonprofit organizations. It means that our team members volunteer their

time to bring our programs to life in their local communities — from mentoring and reading to students to providing pro bono services to helping with disaster relief efforts.

Team members also participate in our **Target Volunteers** program. We support projects like Operation United Way, which links team members with United Way-funded agencies for a day of service, and the National Education Association's Read Across America event, during which our team members read to children in Target stores and at neighborhood schools.

In addition to the time team members give on their own, pro bono service provides an avenue for Target to demonstrate our leadership in innovative philanthropy. Our pro bono projects have ranged from leveraging the size, expertise and spirit of our workforce to transform school libraries across America to supporting law enforcement agencies through our know-how in forensic services.

We're the national sponsor of **National Volunteer Week**, creating a campaign in 2008 that appeared in our stores and in national publications to recognize and thank volunteers, and to encourage people to get involved in their communities by calling 1-800-Volunteer or by visiting www.1-800-Volunteer.org on the Web.



Our commitment to our team

We bring the Target brand to life thanks to our incredible team of more than 360,000 people. To attract and retain the best team in retail, we're committed to providing a wide range of training-and-development opportunities, a diverse and exciting workplace, and pay and benefits that are aligned with the external market. We're a performance-based company that offers equal opportunities for all who perform.

Diversity: Celebrating individuality for a stronger whole

When we talk about diversity within Target, we define it as individuality. This individuality includes a wide spectrum of attributes such as personal style, age, race, gender, ethnicity, sexual orientation, language, physical ability, religion, family, citizenship status, socioeconomic circumstances, education and life experiences. To us, diversity is any attribute that makes an individual unique and does not interfere with effective job performance.

Our ability to recruit and hire people from diverse backgrounds, thus creating a team with a rich variety of strengths, perspectives and lifestyles, is a key factor in our company performance. We know our guests better, and can give them a better shopping experience, when our team members reflect the diversity of our communities.

From the sales floor to the highest levels of the corporation — including the Target board of directors — gender and ethnic diversity play a critical role in our business philosophy. In fact, our management is required to report annually to the board

on its progress in achieving workforce diversity. (For more on the composition of our board, see our proxy statement or visit Target.com/investors.)

We refuse to tolerate workplace discrimination based on race, color, religion, gender, age, national origin, disability, sexual orientation or other characteristics protected by law. (If team members have any concerns, they know they can call our toll-free company hotline at any time; see the information about our Business Conduct Guide on Page 60.) Not only do we prohibit such discrimination, we try to create an environment in which everyone recognizes the value of diversity, and in which our inclusive culture enhances all team members' opportunity for success, regardless of their differences.

Some of the diversity initiatives that help us reach those goals include:

- **Hiring team members** for our more than 1,600 retail locations so that our stores reflect their diverse communities. We recognize that our team members represent the spirit and diversity of our guests, so we hire locally, using in-store employment kiosks to encourage our guests to become team members.
- **Recruiting team members** at minority job fairs such as those held by the National Black MBA Association, the National Society of Hispanic MBAs and the Consortium for Graduate Study in Management. We also place recruitment ads in minority-owned media outlets; post jobs on minority-focused Web sites; attend national meetings of minority organizations; create recruitment materials that emphasize our commitment to diversity; hire store, distribution center (DC) and headquarters interns from the **INROADS** program for talented minority youth; and make it a priority within our internal **Executive-in-Training** program to staff positions with the most talented candidates, from a wide range of diverse backgrounds.
- **Participating in community-based training** by seeking partnerships with agencies, school programs and government incentive programs that help us hire qualified people with disabilities.

Team Member Diversity

	Female	Minority
Officers and managers	47%	23%
Professionals	57%	19%
Sales workers	62%	46%
All team members	59%	42%

- **Conducting internal diversity training sessions** on topics that range from managing inclusion to creating a multicultural workplace to learning how U.S. team members can work most effectively with our team members overseas. Additionally, part of our new team member orientation is dedicated to understanding diversity in our workforce and in the marketplace.
- **Ensuring diversity** remains an integral part of our culture through three internal organizations: our **Diversity team**, dedicated to advising internal business partners, building awareness and communication, and measuring progress; our **Diversity Steering Committee**, which provides direction on the corporation's diversity efforts; and our **Diversity Business Councils** — the African-American Business Council, Asian-American Business Council, GLBT Business Council and Hispanic Business Council — which share feedback on business strategies and provide onboarding, networking and professional development opportunities for diverse team members.
- **Making sure we connect with diverse guests** through multicultural marketing and merchandising efforts, including advertising multicultural beauty products in magazines like *Essence* and *Latina*; sponsoring "Target Presenta Nuestra Navidad," a holiday musical celebration on the Univision network; and ensuring that our guests' in-store experience and our merchandise offering are both culturally relevant and welcoming.
- **Strengthening our communities** through the Target Minority and Women Business Development (MWBD) program, now in its 10th year. Expanded in 2003 to include all non-retail projects, the program recently added online tools to give prospective suppliers quick-and-easy access to the MWBD application and qualification processes. We also offer a mentoring program for minority general contractors, and network with potential vendors through memberships in organizations like the Women's Business Enterprise National Council, the National Minority Supplier Development Council, the National Association of Minority Contractors and the Metropolitan Economic Development Association.
- **Maintaining long-term partnerships** with diversity-focused organizations that include those mentioned above, plus others:
 - The Monster Diversity Leadership Program
 - The National Hispanic Business Association
 - The Black Data Processing Association
 - The Society of Women Engineers
 - The Society of Hispanic Professional Engineers
 - The Urban League
 - The United Negro College Fund
 - The Hispanic College Fund

In addition, we've recently partnered with the Hispanic Heritage Foundation (HHF), whose programs prepare students for leadership. The HHF will help us identify talented internship and job candidates, and will give our team members an opportunity to mentor high-potential students.

Training and leadership development

Retaining talented team members means giving them the chance to grow, both personally and professionally: Every new team member gets a detailed plan of all technical training and leadership training (when applicable) available during his or her first 90 days. To ensure that as many team members as possible take advantage of these opportunities, we offer more than 50 training modules in Spanish, and we publish most training materials for Human Resources, Safety and key operational tasks in both English and Spanish.

Team members also have access to a wide curriculum of leadership development courses that focus on the tools and experiences needed to become an effective leader. Nomination-based leadership development programs for high-potential leaders at a variety of levels throughout the company include week-long assessments, year-long development series and shorter development programs; in addition, we facilitate team-building sessions and offer executive coaching to middle- and upper-level managers.



Dream in ColorSM

Our annual Dream in Color campaign, introduced in 2007, features cultural celebrations all year long, providing free tools for teachers, and showcasing a diverse range of designers, vendors, celebrities and other Target partners.

In 2007, Dream in Color kicked off with Dr. Maya Angelou, who wrote a poem for Target that was featured as part of our campaign:

A Pledge to Rescue Our Youth

*Young women, young men of color, we add
our voices to the voices of your ancestors
who speak to you over ancient seas and
across impossible mountain tops.*

*Come up from the gloom of national neglect,
you have already been paid for.*

*Come out of the shadow of irrational prejudice,
you owe no racial debt to history.*

*The blood of our bodies and prayers of our
souls have bought you a future free from
shame and bright beyond the telling of it.*

*We pledge ourselves and our resources to
seek for you clean and well furnished schools,
safe and non-threatening streets, employment
which makes use of your talents, but does
not degrade your dignity.*

*You are the best we have.
You are all we have.
You are what we have become.*

We pledge you our whole hearts from this day forward.





Pay and benefits: The rewards of hard work

We want Target to be an employer of choice — a company where people want to work, love their jobs, are fully engaged and want to stay for the long term. Our efforts to attract and retain the best team in retail include offering comprehensive pay and benefits packages, including:

- Health and wellness benefits, including health care, prescription drug, dental and vision coverage
- Wealth-accumulation plans, including a 401(k) and a pension plan as well as a deferred-compensation plan for senior executives
- Personal and financial protection, including life insurance for team members and families, as well as short- and long-term disability to cover absences
- Time off, including vacation and six national holidays
- Additional benefits, including a Team Member Discount, tuition reimbursement for job-related courses, and many other discounted services such as home loans, tax preparation and cell phone plans

Pay for performance

As a pay-for-performance company, our team members have regular performance reviews and receive merit increases and promotions based on performance. To ensure our pay packages are competitive, we benchmark similar positions every year at companies within both retail and general industry, including *Fortune* 50 companies.

Wealth accumulation

We want our talented team members to have long and productive careers at Target. And when they're ready to retire, we want them to enjoy retirement comfortably. That's why we

52%

of eligible team members participate in the 401(k) plan. Of that number, 60 percent are full-time team members and 89 percent are exempt team members. At headquarters, participation is 91 percent.

provide tools and resources to help team members plan for their financial future, plus plans and programs to help team members accumulate wealth over their lifetimes. These include:

- The TGT 401(k) plan — the most generous plan of our retail peer group — matches up to 5 percent of a team member's contribution dollar-for-dollar; contributions and the match are immediately 100 percent vested. We are the only retailer to offer 100 percent immediate vesting. All eligible team members who participate in the TGT 401(k) receive quarterly retirement statements, a newsletter and an annual evaluation of their 401(k) account.
- Our Web-based Financial Engines program allows team members to track their accounts and get investment advice; the program also offers a fee-based account management service, modeling capabilities and tools to help team members rebalance investments and change contribution levels.
- An online pay-and-benefits statement refreshed quarterly is available to all eligible team members; this personalized statement provides additional details and helps to reinforce the value of the team member's pay and benefits.



Health care: Our approach

Target values the health and well-being of both team members and guests. Target offers a wide range of benefits that encourage wellness, promote healthy living and give team members tools and information to make educated health care decisions. Our company-sponsored approach to health and wellness encompasses physical, emotional and financial well-being and includes health care, dental, life and disability insurance as well as adoption assistance, an employee assistance program and a plan that covers legal services.

Target strives to provide health care benefits that help our team members maintain and improve their health while managing health care costs for both our team members and the company. In 2006, we introduced the option of account-based health plans as part of a long-term strategy to help team members manage health care costs both now and in the future. By offering account-based health plans, we engage our team members in a decision-making process that gives them greater ownership and control of their health care dollars. Along with a traditional copayment plan and HMOs, we are able to offer a variety of benefit plans and deductible levels. Before team

members enroll in health care, they are provided with information and tools that help them choose the plan that best meets their needs. Once enrolled in a health care plan, our team members have tools to help them select quality and cost-effective doctors and hospitals. They also have access to a 24-hour NurseLine to help them determine the most effective care option. In addition, most team members who participate in a Target-sponsored plan have access to \$4 generic drugs.

Target is also focused on promoting wellness, prevention and treatment programs that are intended to make getting and staying healthy easier for all team members and their families. Target provides preventive care — such as well-baby care, immunizations and annual physicals — and offers programs to help team members manage their health. These programs include:

- A health assessment to help identify health risks
- Health coaches who provide information on free programs that team members can enroll in or assist team members in creating an action plan to help meet their health goals
- A healthy pregnancy program

In addition, all team members have access to resources designed to educate and engage them in making healthy lifestyle changes, including a new, internal health-focused magazine with tips and resources on exercise, nutrition, safety, prevention, etc.

We continually evaluate our plans to verify we are offering benefits that provide value, meet the needs of our team members and are consistent from location to location. Therefore, we support maintaining the Employment Retirement Income Security Act (ERISA), which guarantees the right to provide consistent benefits nationwide and supersedes state laws relating to many employee benefit plans. We believe our team members would benefit from the adoption of common standards to transfer records from one provider to another. Target also supports transparency in health care and strives to provide information to encourage smart health care purchases.

In addition to our commitment to the needs of our team members, Target is also committed to the health and wellness of our guests. For example:

- Target developed innovative ClearRxSM prescription drug packaging that includes easy-to-read labels and color-coated rings personalized for each family member, helping to eliminate medication errors.
- Target offers flu shots seasonally.
- Target offers automatic prescription refills for added convenience.
- Target Clinic[®] provides quick access to quality care at a low cost for certain health issues, uses evidence-based treatment protocols, and utilizes an electronic health care record system to foster fast, safe and accurate sharing of patient records.
- Target is building value and accessibility by offering many generic drugs for \$4 for a 30-day supply and \$10 for a three-month supply, and is making it easier to use flexible spending account dollars by identifying items covered under this plan on sales receipts.

- Target offers wellness-minded products throughout the store; for example, in the grocery department we have zero added trans-fats in all Archer Farms® products and have tagged certain areas as “Better For You” to help guests find healthier options.

Policy priorities: Target supports a national framework for health care because a patchwork of state solutions will not allow for the development of a plan that best meets the needs of our approximately 360,000 team members. We support:

- Providing every citizen with access to quality and affordable health coverage, which is why any reform solution must address the core issues of the growing cost of health care by:
 - Expanding prevention interventions and developing health and wellness programs
 - Utilizing evidence-based medicine protocols to ensure standardization of processes and reduce misdiagnosis
 - Developing health information technology and an electronic records system that provides access to all health care providers and individuals
 - Incorporating more transparency in health care to help individuals engage in their health care decisions and use their benefit dollars wisely
- Maintaining ERISA, which provides nationwide employers with the ability to provide consistent benefits to employees.
- A shared-responsibility approach where government, employers and individuals share the responsibility of providing and attaining health care coverage.

Target is a member of a number of professional organizations and coalitions. As a board member, Target provides feedback and helps to shape legislative and regulatory objectives for the following organizations:

- **American Benefits Council (ABC):** ABC represents more than 275 for-profit and nonprofit businesses that sponsor directly, administer or service retirement, health and stock compensation plans covering more than 100 million Americans. ABC initiates and champions legislation and regulations favorable to member needs and interests, and influences policy development within Congress and executive branch agencies.
- **Convenient Care Association (CCA):** CCA represents approximately 900 convenient-care clinics located in high-traffic retail outlets, operated by more than two dozen companies. CCA strives to strengthen and advance the retail clinic model of health care to provide routine, non-emergency services to walk-in patients at affordable prices seven days a week.
- **National Council for Prescription Drug Programs, Inc. (NCPDP):** NCPDP is a coalition of pharmacies, database management organizations, government agencies, health insurers, pharmaceutical manufacturers, pharmacy benefit management companies, professional and trade associations, wholesale drug distributors and other parties representing more than 125,000 companies and 3.5 million

+25%

In 2007, the percentage of team members getting immunizations increased almost 25 percent over the previous benefit year.

+4%

The number of team members making wellness visits in 2007 increased 4 percent over 2006.



professionals. NCPDP provides a forum for its membership to create and promote electronic standardization within the pharmacy services sector of the health care industry.

- **The Buyers Health Care Action Group (BHCAG):** BHCAG is a coalition of private and public employers working to redirect the health care system to focus on a collective goal of optimal health and total value. Their vision is that health care consumers get the care they need at the right time, in the right place and at the right price.

Additionally, Target regularly participates in round-table discussions, conference calls and advisory boards for several other professional organizations and associations, including:

- **HR Policy Association (HRPA):** HRPA is a coalition of the chief human resource officers of more than 250 U.S. corporations representing nearly every major industry sector. HRPA uses the collective leverage of its membership to advance critically important business and societal objectives that address employment law compliance and legislation, executive compensation, immigration reform, labor relations, pension and retirement policy, and health care reform.
- **National Association of Chain Drug Stores (NACDS):** NACDS represents nearly 200 chain community pharmacy companies operating more than 37,000 retail pharmacies with annual sales totaling nearly \$700 billion. NACDS works to enable and support the chain-drug industry to better meet the changing needs of its patients and customers while representing the practical, legislative and regulatory needs of community pharmacies across the nation.
- **National Business Group on Health (NBGH):** NBGH represents primarily *Fortune* 500 companies and large public sector employers who provide health coverage for more than 50 million U.S. workers, retirees and their families. NBGH represents the large-employer perspective on national health policy issues and provides a forum for exchanging ideas for controlling health care costs, improving patient safety and quality of care, and sharing best practices in health benefits management.

Injury and illness prevention

Our guests' and team members' safety in our stores, distribution centers and headquarters offices is a top priority. Our Injury and Illness Prevention Program (IIPP) was designed to prevent accidents, reduce instances of injury or illness, and comply with all safety and health regulations.

As with everything else at Target, injury and illness prevention is a team effort. Managers are responsible for implementing and managing the IIPP, leading regular meetings of their location's Safety Team, completing safety checklists, ensuring that team members receive health and safety training, and communicating with team members about occupational health and safety. Team members are encouraged to communicate with their team leaders, department managers or Safety Team members about unsafe or unhealthy conditions. Team members know that they can talk with a manager, make a written statement, or submit a safety concern at any time through the "Let Us Know" program

via e-mail at LetUsKnow.Program@Target.com. Team members' safety suggestions or hazard reports are investigated and corrected as needed.

Civic activities

Target believes that engaging in civic activities is an important and necessary element of operating a national retail business. We participate in the civic arena through a variety of means, including: direct and indirect advocacy on issues that impact our business, significant non-partisan get-out-the-vote and voter education efforts aimed at our team members as well as the general public, innovative partnerships with local, state and federal government agencies intended to help these agencies fulfill their missions, and, where appropriate and legally permissible, contributions to political candidates and organizations.

Our civic initiatives are aligned with our business objectives and are overseen by our senior management and the Corporate Responsibility Committee of the Target Board of Directors. The intent of the overall program is to provide an effective and positive civic presence by having an influential voice in the civic activities in the communities in which we do business and in the deliberations, decisions and activities of our federal, state and local governments that impact our business. Ultimately, Target aims to work in partnership with government and other institutions so we can creatively address the challenges facing our society and bring even greater value to our communities.

Advocacy

Target advocates at all levels of government, with think tanks and with non-governmental agencies, with the aim of ensuring that the impact legislative and regulatory issues have on our business, our industry, our communities and our team members is fairly presented. We engage in advocacy directly through our Government Affairs office, and indirectly through memberships in various trade associations and organizations.

One key partner is the Retail Industry Leaders Association (RILA), which supports its member companies by promoting consumer choice and economic freedom through public policy and industry operational excellence, enabling them to grow their businesses and operate effectively.

Get-out-the-vote and voter education activities

Well-informed citizens are better able to exercise their vote. For many years, Target has partnered with the Minnesota League of Women Voters to produce a non-partisan voter guide that we make available to our own team members. We also provide the guides to the public at large through free distribution at our Minnesota stores as well as through the League's Web site, www.lwvnmn.org.

Beginning with the 2004 election year, Target also created a non-partisan voter education site aimed at our team members nationwide. The site provides information on where to vote and how to obtain an absentee ballot if necessary, as well as non-partisan information on state and federal candidates. The site is now available each election cycle.

In partnership with the Citizens League, a non-partisan public policy think tank, and the Humphrey Institute of Public Affairs at the University of Minnesota, Target helped create and funds the innovative Community Connections Calendar. The Calendar is a free, Web-based subscription service that links citizens with civic organizations across the political spectrum in the Twin Cities. More information is available at www.pointclickengage.org.

Public partnerships

Many of the complex and diverse challenges facing our communities are most effectively resolved through public and private partnerships. As an outgrowth of our long-term and well-recognized experience in embracing communities, Target believes that many of the business practices that make us a successful retailer can be valuable in the public sector's delivery of better public services to our communities. Accordingly, we regularly lend our expertise to assist governmental agencies in fulfilling their missions.

To date, we have focused on sharing our expertise related to issues such as community safety, urban redevelopment, safe Internet practices for children, acquisition of goods and services, and cost-effective health care benefits.

Political contributions

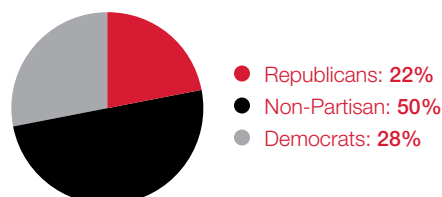
Target contributes to political candidates, caucuses and causes in a non-partisan manner based strictly on issues that directly affect our retail and business interests. We do this through corporate contributions where legally permissible as well as through the Target Citizens PAC, which is funded through the voluntary contributions of our team members. Because our activities are non-partisan, the percentage of overall giving to various political parties changes from time to time as a reflection of the political makeup of Congress and the legislatures in states where corporate contributions are legally permissible.

The use of corporate funds for political expenditures is managed as follows:

- **Legal compliance** — All political contributions are made in compliance with applicable laws and corresponding reporting requirements. To ensure compliance, all corporate contributions are reviewed and approved in advance by Target's vice president of Government Affairs, with input from legal counsel where appropriate.
- **Contribution criteria** — Before any contribution is made, we determine that it is consistent with our business interests and, under the circumstances, is an appropriate means of advancing our public policy position. This determination is made either by our vice president of Government Affairs, executive vice president and general counsel, or our chief executive officer.
- **Board and management oversight** — Corporate political contributions and related activities are reviewed regularly with our senior management, and reported on an annual basis to the Corporate Responsibility Committee of the Target Board

of Directors. Recipients of corporate contributions or political action committee contributions must report to their state authorities. For more information on our political giving, check the Internet for the secretary of state or ethics commission for the state in which you are interested. Federal PAC contributions are listed at www.fec.gov.

Target Corporation Direct Contributions



During the 2006/2007 biennium, Target Corporation made approximately \$600,000 in direct political contributions to candidates, caucuses and causes.

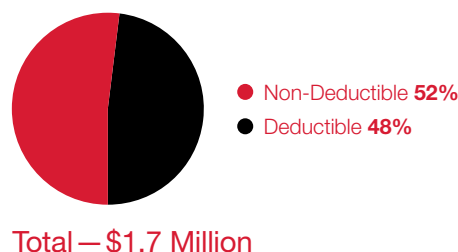
Target Corporation Political Contributions of \$5,000 or More in the 2006/2007 Biennium

Payee	Amount	Affiliation*
Democratic Leadership Council	\$ 75,000	D
IMPACT	\$ 53,500	NP
CBPA Issues PAC	\$ 50,000	NP
Minnesotans for Better Roads & Transit	\$ 50,000	NP
Arnold Schwarzenegger	\$ 44,600	R
Griffin Productions, LLC	\$ 25,000	NP
Rebuilding California	\$ 25,000	NP
Ohioans to Protect Jobs	\$ 20,000	NP
The Ripon Society	\$ 15,000	R
California Democratic Party	\$ 13,000	D
California Republican Party	\$ 10,000	R
JobsPAC	\$ 10,000	NP
New York Retailers for Effective Government	\$ 10,000	NP
Retailers for a Better California	\$ 10,000	NP
Terry Peterson	\$ 10,000	NP
CA Retailers Association	\$ 6,000	NP
Alberto Torrico	\$ 5,600	D
CBPA Candidates PAC	\$ 5,600	NP
Michael Villines	\$ 5,600	R
Bill Richardson	\$ 5,000	D
Moderate Democratic Caucus	\$ 5,000	D
Republican Main Street Partnership	\$ 5,000	R
The California Democratic Party	\$ 5,000	D
The California Republican Party	\$ 5,000	R

*D = Democrat, R = Republican, NP = Non-Partisan

Target Corporation maintains memberships in various trade associations and organizations that are engaged in various public policy initiatives. To our knowledge, none of our membership dues to these associations is used to make contributions to candidates for office, and we specifically request that the associations use our dues only for management and lobbying purposes — not for political purposes other than lobbying. The portion of our dues used for lobbying activities is not deductible under the U.S. tax code. The chart below shows the portion of these dues that was not tax deductible in 2007.

Target Corporation Membership Dues to Principal Trade Associations and Organizations — 2007 Percent of Total



Principal Trade Associations and Organizations to Which Target Corporation Paid Dues in 2007

Alabama Retail Association	New Jersey Retail Merchants Association
Arizona Retailers Association	New Mexico Retail Association
Arkansas Grocers/Retail Merchants Association	North Carolina Retail Merchants Association
Associated Oregon Industries Retail Council	North Dakota Retail Association
California Business Properties, Inc.	Ohio Council of Retail Merchants
California Chamber of Commerce	Pennsylvania Retailers Association
California Retailers Association	Public Affairs Council
California Taxpayers Association	Retail Association of Mississippi
Citizens League	Retail Association of Nevada
Civil Justice Association of California	Retail Council of New York State
Colorado Retail Council	Retail Industry Leaders Association/RILA
Connecticut Retail Merchants Association	Retail Merchants Association of New Hampshire
Consumer Electronics Retailers Coalition/CERC	Retailers Association of Massachusetts
Consumers for World Trade	Rhode Island Retail Federation
Delaware Retail Council	South Carolina Retail Association
Florida Retail Federation	South Dakota Retailers
Food Marketing Institute	State Government Affairs Council/SGAC
Georgia Retail Association	Taxpayers' Federation of Illinois
Idaho Retailers Association	Tennessee Retail Association
Illinois Retail Merchants Association	Texas Civil Justice League
Indiana Retail Council	Texas Retail Federation
Iowa Retail Federation	The Kansas Chamber
Kentucky Retail Federation	The State Chamber of Oklahoma
Louisiana Retailers Association	U.S.-ASEAN Business Council, Inc.
Maine Merchants Association	U.S. Chamber Institute for Legal Reform
Maryland Retailers Association	U.S. Chamber of Commerce
Michigan Retailers Association	U.S. Conference of Mayors
Minnesota Business Partnership	Utah Retail Merchants Association
Minnesota Chamber of Commerce	Virginia Retail Merchants Association
Minnesota Retailers Association	Washington Retail Association
Minnesota Taxpayers Association	West Virginia Retailers Association
Missouri Retailers Association	Wisconsin Merchants Federation
Montana Retail Association	Wyoming Retail Association
Nebraska Retail Federation	



Target sources products from all over the world, bringing guests both quality and value — from owned brand and signature national brand collections to assortments from designer partners.

Global sourcing: Standards for worldwide partners

Our company's founder, George Dayton, was well known for his strong sense of business ethics. Today, we still hold ourselves to the highest ethical standards — no matter where we do business — and we expect our business partners around the world to do the same. Our partners include vendors, manufacturers, contractors and suppliers who provide merchandise, supplies and support for our new-store construction.

In our quest to bring Target guests the best quality and the best value, we source merchandise from all over the world, directly importing about 30 percent of our products. Target Sourcing Services (TSS), a subsidiary of Target, sources owned-brand products from around the world. TSS employs more than 2,000 team members and has supplied Target with high-quality merchandise since we opened our first store.

The TSS team's expertise helps us balance our sourcing around the globe to ensure that we're able to anticipate issues and mitigate any potential risks while making the best decisions for our business. We continually evaluate the mix of countries from which we source and adjust for many factors, including production quality and capacity, speed to market and pricing. All of our products are clearly labeled to indicate the countries where they are manufactured, in full compliance with regulations established by U.S. governmental agencies.

Target Compliance and Production Services (TCPS) is a division of TSS that helps us enforce our compliance, safety and quality standards around the world. The goal of TCPS is to achieve exceptional in-store product quality for our owned-brand products. To do this, we check to ensure that our vendor partners operate efficient, safe and ethical factory environments. Teams at headquarters focus on setting policy, creating procedures, administration and enforcement, while overseas teams execute our processes. Teams include:

- Global Compliance
- Quality Assurance
- Product Safety/Recall

Global Compliance registration and audits

Since 1998, the Global Compliance department within TCPS has enforced our standards with vendors who produce our owned-brand products and products licensed exclusively to Target. The Global Compliance team verifies that these vendors comply with our Standards of Vendor Engagement (available in 21 languages), our business requirements as set forth in our Vendor Conduct Guide, U.S. Customs and Border Protection laws and country-of-origin labor laws.

We require all of our owned-brand vendors to complete a registration process covering Target's strict requirements for product quality and ethical standards; we hold them accountable for compliance in all factories they select to manufacture our products. Vendors are required to register all factories used in the production of our merchandise (including subcontractors), maintain accurate and up-to-date information about each factory and authorize unannounced audits by Target team members or our accredited third-party auditors.

Over the last decade, our team members and auditors have performed thousands of random, unannounced, mandatory audits in 44 countries. Any vendor who denies access to our team members or third-party auditors receives penalties that range from payment of audit program expenses to termination of their relationship with Target.

Snapshot of a global compliance audit

- A Global Compliance auditor or third-party auditor arrives unannounced at a randomly chosen factory. He or she, accompanied by the factory manager, walks through the factory for a full day, recording observations and responses to more than 400 questions; pointing out immediately correctable issues; reviewing merchandise country-of-origin information, plus personnel records and wages; and interviewing employees privately.
- The auditor then recaps findings and corrective actions with the factory manager and human resources representative. Our analysts ask for a resolution plan and deadline, and a follow-up audit determines whether corrective actions have been taken; if not, the vendor is charged for audit costs. If a factory isn't in compliance by the third audit, Target disallows production in that factory for a year.
- To keep our team members and third-party auditors safe, any severe violations — i.e., bribery, illegal transshipment, corporal punishment or underage labor — that would cause immediate termination of a factory relationship are not disclosed to the factory manager by the auditor.

Standards of vendor engagement

We will not knowingly work with any company that does not comply with our ethical standards. We benchmark our standards against those of other companies, and we work closely with Non-Governmental Organizations that focus on social responsibility.

- Our business partners must provide **safe and healthy workplaces** that comply with local laws. If our partners provide residential facilities for their workers, these must be safe, healthy and in compliance with local standards.
- **No forced or compulsory labor.** We will not knowingly work with business partners who use forced labor in the manufacture of products.
- **No physical or mental punishment used against employees.**

- While we respect cultural differences, we believe workers should be employed based on their abilities, and we encourage our business partners to **eliminate workplace discrimination** based on race, gender, personal characteristics or beliefs.
- We seek business partners who offer **reasonable working hours and overtime**, and whose work weeks do not exceed local laws or business customs. We encourage our partners not to require more than a 60-hour work week on a regularly scheduled basis (except for overtime compensated in compliance with local laws).
- **Fair wages and benefits** must be provided in compliance with local laws; in addition, we encourage our partners to improve wages and benefits to address the basic needs of workers and their families.
- **No child labor**, which we define as being below the local minimum working age or age 14, whichever is greater. We make an exception for legitimate apprenticeship programs.
- We will not work with business partners who use deceptive practices to deliberately misrepresent **country of origin** to evade quota or import restrictions or duties on products that will be sold in our stores.

Vendor education

We educate our vendors about how Target standards apply to their operations. When vendors register with Target, we invite them to a training session at headquarters or overseas. They can also access a document on our vendor Web site called Applying the Standards of Vendor Engagement to the Factory, available in 13 languages. We also provide an audio training course in eight languages.

Vendor contracts

We require our vendors to warrant that all goods are made in compliance with all applicable laws — both U.S. laws and the laws of the country in which the goods are produced. This warranty includes the Fair Labor Standards Act of 1938, which governs how employers pay and treat their employees. To be in compliance with this contract term, our vendors must confirm that their business partners are also in compliance with the law. In addition, we establish similar basic minimum requirements in certain countries where labor laws are not yet well developed. If a vendor violates our agreement, penalties range from the loss of the contract or order to the loss of all future business with Target.

Quality assurance tools and processes

The Quality Assurance team validates the safety, reliability and quality of our products by using systems and processes, including:

- **Factory evaluations** conducted by an overseas manufacturing technician. This process validates a factory's quality and manufacturing capabilities before it ever begins producing owned-brand products for Target.

- **Placement and preproduction meetings**, which provide a step-by-step guide for overseas team members to use when verifying that vendors execute all preproduction activities properly. These meetings are for products sourced directly by Target.
- **Product testing**, which begins early and continues through a product life-cycle. Tests validate that owned-brand products meet or exceed safety and regulatory requirements, as well as standards for labeling, packaging quality and end-use performance. (Continue on to 'Product testing' section below for more information.)
- **Product inspections**, used to validate that owned-brand products meet testing requirements and acceptable quality standards.
- **Field Assessment Tool (FAS-T)**, a new system that automates field activities and creates a data repository for product inspections, factory evaluations and global compliance audits.
- **Vendor Audits and Assessments.** Vendor-manufacturing-facility approval by Target requires a comprehensive third-party audit of food safety, regulatory compliance and quality management systems. In addition, FSQA specialists conduct on-site manufacturing-facility food safety assessments.
- **First Production Review Program.** Each new owned-brand food item is evaluated for product and packaging specification compliance, overall product quality performance consistent with guest expectations, and brand requirements prior to arriving in stores. Products are fully evaluated by a cross-functional development team to ensure all new products meet Target requirements before reaching our guests.
- **Market Review Program.** Owned-brand food products are retrieved from our stores to best represent what our guests actually experience. Using a well defined process, the retrieved samples are evaluated from a guests' perspective to determine overall product and packaging quality and performance. This information is used to make continuous product quality improvements.

Product safety: Our top priority

Providing safe products is our top priority at Target. We not only ensure products meet mandatory government safety standards, we also voluntarily test our products to meet more stringent standards than state and federal laws require — and we place special emphasis on children's products, including toys. We make every effort to ensure a product's performance and safety meets our high standards before being sold in our stores.

Product testing

We rigorously test our owned-brand merchandise before it arrives at our stores or at Target.com. First and foremost, we test products to validate that they meet or exceed safety and regulatory requirements; we also test labeling and packaging quality, and products' end-use performance.

Before production begins, we require satisfactory third-party product tests. If the product doesn't pass initial testing, the vendor must improve and resubmit the product until it passes. If a product isn't improved, we cancel the order.

Multi-stage testing catches potential quality and safety issues before and during production. Testing by a third-party lab occurs during the initial production run and at random intervals during ongoing production. We've used multi-stage testing on our owned-brand apparel merchandise since 2005, and on select Hardlines and all toys since 2006. By the end of 2008, we plan to perform multi-stage testing on select key-risk areas and all children's products for our owned-brands.

Food safety

We are also committed to delivering outstanding quality and uncompromising safety with every owned-brand food product. Our Food Safety and Quality Assurance (FSQA) team's primary focus is food safety and improving product quality and freshness of our owned-brand products through several key programs, including:

Consumer Product Safety Commission

We believe that cooperation among regulators, manufacturers and retailers is the only way to find solutions to issues of quality assurance and product safety; we're committed to being a productive part of that effort. Currently, we report to the Consumer Product Safety Commission (CPSC) any products that we're investigating or removing from the market due to safety-related reasons. We're also piloting a self-reporting program in which we report safety-related issues to the CPSC each week. We collaborate with the CPSC on improved training for overseas vendors, particularly those in China.

Emerging safety concerns

Target has several efforts under way to reduce PVC in our private-label products. All of our owned-brand children's utensils and lunch kits and many infant and toy categories are now made from materials other than PVC. And, several owned-brand home items including shower curtains and liners, as well as placemats and table linens, are made from more viable alternatives.

Additionally, we've eliminated PVC in packaging materials for a number of products and continue to identify alternatives where possible.

Product recalls

When a product is recalled, it's our responsibility to execute the recall quickly and efficiently to ensure the safety of our guests. Our formal, rapid-response plan features multiple layers, including:

- Communicating immediately with store teams so items can be pulled from store shelves and Target.com
- Posting recall signs in stores
- Adding a cash-register locking function so guests aren't able to purchase recalled products

- Posting information at Target.com, with links to the CPSC and related Web sites
- E-mailing guests who have purchased recalled products online

Restricted products

Our goal is to stock Target shelves with merchandise that appeals to a wide variety of guests, particularly parents and families. We want parents to feel comfortable with their purchasing decisions at Target, so we've instituted policies about whether and how we sell certain kinds of products.

- All **video games** and **computer software** titles sold at Target carry ratings by the Entertainment Software Rating Board (ESRB). We do not sell any AO-rated (Adults Only) products; since 2000, we've voluntarily restricted the sale of M-rated (Mature) games and software to those age 17 and older. Our goal is to have all guests know and understand the ESRB system so they can make informed purchasing decisions. To inform guests about how video games and software are labeled and rated, we use communication vehicles, including:
 - Informational signage and a guest brochure
 - Information at Target.com
 - Messages in our weekly circular to encourage guests to "know their ratings," plus oversized ratings graphics on M-rated video games advertised in the circular
 - Cashier training

- In 2005, even though our decision adversely affected our sales, we became the first national retailer to voluntarily place all cough, cold and allergy medications containing **pseudoephedrine (PSE)** behind the pharmacy counter. Found in cold and allergy remedies, PSE is the key ingredient in the illegal manufacture of methamphetamine. Sales of PSE are now governed by federal law; our policy enforces federal limitations and follows more restrictive state and local laws where applicable.
- Not only does Target not sell real **guns**, we stopped selling realistic toy guns in the early 1990s. Today, toy guns on our shelves are limited to those that are brightly colored or oddly shaped and couldn't be mistaken for actual weapons.
- We stopped selling **cigarettes** in 1996, and don't currently sell any tobacco products.

Supply-chain safety

Target has partnered with the U.S. Department of Homeland Security and U.S. Customs and Border Protection to improve security practices and reduce supply-chain risks. Target is a charter member of the Customs-Trade Partnership Against Terrorism (C-TPAT), a public-private partnership to strengthen supply chain and border security. Target's C-TPAT supply chain program has been re-validated at Tier 3, the highest level of security, through 2009 by U.S. Customs and Border Protection. This re-validation provides both time- and money-saving benefits, such as lower container exam rates at ports of entry in the United States. This minimizes security inspection costs and helps our products reach stores more quickly for our guests.

Environmental Responsibility.

Target strives to be a responsible steward of the environment. We go far beyond simply complying with environmental regulations — we seek to understand our impact on the planet and continuously improve our business practices so that we:

- Use resources responsibly
- Eliminate waste
- Minimize our carbon footprint
- Offer a selection of natural, organic and eco-friendly products
- Develop facilities that align environmental, community and business needs
- Influence our vendors and suppliers to embrace sustainable practices





Our research shows that being a responsible steward of the environment is one of the most important issues that defines Target's corporate reputation.

Target continually looks both inward and outward for opportunities to be a force for positive change. When we encourage systematic solutions, caring about the environment becomes an essential part of every business decision — and making eco-conscious choices becomes second nature.

Governance: How we manage our environmental efforts

A corporate focus on the environment is nothing new at Target. In fact, it's been 15 years since we centralized our efforts into an Environmental Services department — one of the first such departments at any retailer. While the department initially focused on streamlining our cardboard and shrink-wrap recycling programs, today, Environmental Services' role has expanded to include ensuring our company's compliance with environmental regulations, which is good both for Target and for communities in which we operate.

The team handles operational tasks like regulatory compliance, property acquisitions, waste disposal and recycling; in addition, they oversee environmental communication and outreach, in-house and external training, permit management, data analysis, self-auditing of systems and information tracking. Our internal environmental management system uses ISO 14001 as a guide, as well as the U.S. Environmental Protection Agency's National Environmental Performance Track guidelines.

In addition to our environmental compliance and regulatory group, we've created a network of internal partnerships whose purpose is to drive change toward more sustainable business practices, more efficient operations and stronger ties to our communities. We also work with our vendors to identify opportunities to incorporate sustainability initiatives into our core business functions.

When approaching these issues, we use three guiding questions: Will it help us anticipate regulation and mitigate risk? Will it help us increase our efficiency, saving money or generating income? Will it help us drive new business opportunities? This straightforward approach enhances both our brand and our business in the long run.

Tracking legislation

We're required to comply not only with federal environmental regulations, but also with different sets of state laws in the 47 states (soon to be 49 with anticipated store openings in two additional states, Alaska and Hawaii, by spring 2009) where we have stores, plus the regulations of multiple municipalities. Besides tracking our own environmental progress, we constantly study existing and pending state regulations regarding issues like electronics recycling, climate change, plastic bag use and product restrictions. Our corporate Government Affairs team monitors national and regional legislation so that we can nimbly respond to new regulations.



Discovering new ways to be environmentally conscious means taking risks. Sometimes, our experiments work ...

In 2007, our Target Protection Specialists (TPSs) tested Segway personal transporters to patrol our store parking lots. They found that Segways offered a friendly way for our guests to see them more easily and provided a better view of the lots. Plus, Segways are battery-powered, emission-free and cost just pennies a day to operate. Even better, for every Segway we buy, Segway Inc. purchases a year's worth of renewable energy credits, which means that the utility company buys power generated by such clean, renewable sources as wind, water and geothermal energy. Today, we're using Segways at 174 stores.

... and sometimes they don't.

We piloted solar tubes — clear tubes that protrude through a building's roof to bring in sunlight — in two California stores. We hoped the tubes would eliminate the need for store lights during the day, but they didn't achieve our goals and they caused the cooling demand and the gas emissions in those stores to increase.

But we'll never stop exploring.

While solar tubes didn't succeed as an alternative lighting system, we're still collecting energy data from the pilot to use as a guide in selecting future energy-efficient pilot projects.

Maximizing the life cycle of materials: Reduce, reuse, recycle and beyond

Less is more. Wasting less is more responsible. Period. The core of Target's environmental efforts has always been our commitment to reduce waste, reuse what we can and recycle as much as possible. Nationwide, we reuse or recycle roughly 70 percent of the materials that would have been sent to a landfill in years past.

Reduce

We manage our waste-reduction program from our headquarters in Minneapolis so we can track the progress of our stores and distribution centers (DC). Nearly every load of non-recyclable waste from our store-waste compactors is weighed so we can maximize loads and reduce unnecessary hauls. Full compactor loads mean fewer trips to landfills, which saves fuel and reduces emissions. The weight and frequency of compactor loads are calibrated according to a store's sales volume, so stores can accurately compare their performance to other stores.

Recycle

Our recycling programs benefit the environment, fuel the economy and, in many cases, generate income for Target. As new recycling markets grow and existing markets strengthen, we continue to look for recycling innovations.

Since the early 1990s, we have centrally managed a corrugated cardboard bale program, selling cardboard to contracted recyclers. This program was further enhanced when the majority of our stores began returning their cardboard bales to the DCs on the same trailers that deliver merchandise to stores. At the DCs, store bales are consolidated into full trailer loads to minimize trips and reduce truck emissions.

We recycle electronics, including product returns and company-owned equipment, using a third-party vendor. Our recycling vendor uses the "Glass to Glass" recycling method, meaning that nearly all components are recycled and little to no waste is generated.

Every year, our DCs receive millions of merchandise pallets. Most are encased in shrink-wrap, which is recycled into composite lumber and other products through our plastic-recycling vendor partners.

We repair and refurbish damaged shopping carts to use in our stores as long as they meet Target brand standards. When they no longer make the grade, we sell them to other companies for reuse or recycle the plastic and metal into products like plastic pallets and construction rebar.

For the past five years, we've required building contractors to recycle construction waste, including concrete, from all of our store remodels and new stores, and to use our stores' cardboard balers to bundle leftover packaging from equipment installations.

Our headquarters locations recycle mixed paper, corrugated cardboard, aluminum, glass and plastic as well as used inkjet printer cartridges, which are refurbished and resold.

Taking responsibility for change

Much of the time, our internal environmental policies are stricter than the local or regional regulations where we do business. That's because we believe in protecting our communities' natural resources and keeping the work environment safe for our team members. When violations do happen, we respond immediately and thoroughly. For example, in response to an inadvertent spill of roofing material by contractors at a Florida store, we enhanced our process to prevent and respond quickly to spills: We improved our roofing-team training and communication, and we now require all sites to maintain on-site spill kits and to block critical storm drains during roof-coating projects. We believe that by being open about such incidents, we increase environmental awareness company wide, we improve our processes and we avoid future issues.

Roof membrane recycling process

We're always looking for new recycling opportunities. Last year, we piloted a closed-loop recycling process for our roof membranes: We worked with a roofer to remove the old roof membrane at our store in Silver Spring, Md., and to recycle it into new roofing materials like walkway pads and waterproofing membranes. So successful was the pilot that in 2008 we'll recycle at least 80 percent of the materials from the 16 store roofs we plan to replace. That's at least 800,000 pounds of materials that won't end up in a landfill.

Target participates in environmental partnerships

- **Retailer Energy Alliance**
- **United States Environmental Protection Agency Climate Leaders Stormwater Runoff Strategies Partner, Energy Star and WasteWise**
- **United States Green Building Council (USGBC), Corporate Sponsor, National Committee (LEED for Retail Application Guide)**
- **National Recycling Coalition (NRC), Member**
- **Sustainable Packaging Coalition, Member**
- **American Industrial Hygiene Association (AIHA), Member**
- **National Association for Environmental Management (NAEM), Board Member**
- **National Brownfield Association, Member**
- **International Council of Shopping Centers, Member**
- **Recycling Association of Minnesota, Board Member**
- **Together.com**



We're the only national retailer employing a **Garment Hanger reuse program**, which keeps millions of pounds of metal and plastic out of landfills.

New programs in 2007 included plastic shopping bag recycling. California, Maine and Rhode Island require retailers to provide plastic shopping bag recycling programs. In addition, Target partnered with other retailers and the city of Austin, Texas, on a voluntary bag recycling program. Because we would like to stay ahead of mandatory regulations and give all our guests the opportunity to participate in shopping bag recycling, our Waste Minimization team is working with our store and distribution teams to develop a company-wide shopping bag recycling program.

Reuse

Our reuse programs focus on ways to make the most of products for their entire life cycles. We work with community partners who can use items we no longer need — everything from food to filing cabinets, paint cans to party supplies, bookshelves to blankets. Donating items for reuse not only saves us millions of dollars in disposal costs, but supports our communities and keeps still-useful products out of the waste stream.

We're the only national retailer employing a **Garment Hanger reuse program**, which keeps millions of pounds of metal and plastic out of landfills. We send clothing to our stores already on hangers, each of which gets reused an average of four times until it's no longer functional. In 2007, this program prevented 434 million hangers from entering landfills. The program also reduces workload for our store teams, because they don't have to put

clothing on hangers. When hangers break, we recycle the plastic and metal for use in post-consumer goods, products like plastic flowerpots and other gardening supplies, for example. But, more often, at least 90 percent of hangers returned are reused.

Our **Merchandise Salvage** program sends unsold product to organizations for resale: Although we maintain a business relationship with both nonprofit and for-profit partners, more than 900 of our stores enjoy partnerships with Goodwill Industries affiliates, which provide services like job training along with low-cost goods.

Certain overstocks, damaged products and those that don't meet Target quality standards are processed through our **Vendor Returns** program, through which we work with vendors to promote recycling and reuse of unsold product.

Our **grocery overstocks** are donated to Feeding America, formerly known as America's Second Harvest, a nationwide network of food banks that operates more than 50,000 food pantries, soup kitchens and after-school meal programs. Our stores and DCs also donate overstocked and damaged pet food and supplies to local animal shelters.

When we update equipment like computers, store fixtures, food-service equipment, vehicles, forklifts and other industrial equipment, our **Resource Recovery** team decides whether to sell, donate, recycle or reuse the equipment being replaced, always with an eye toward managing risk and maximizing recovery.



A reusable solution, Target style

When California legislation mandated that all retailers begin offering reusable shopping bags in June 2007, we put a Target twist on our response by designing, in partnership with Green Bag Company, three Bullseye-branded bags: a 99-cent tote that zips into its own carrying case, plus a standard-size bag and a large folding bag for \$1.49 each. Guests snapped them up, and we began offering them in all our stores in January 2008.

Cardboard Recycling (lbs.)
(in millions of pounds)



Hangers Reused (number)
(in millions)



Shrink-Wrap Recycling (lbs.)
(in millions of pounds)



Hanger Metal Recycled (lbs.)
(in thousands of pounds)





Sustainable products and packaging

We constantly revamp our merchandise assortments to make sure we're giving guests what they want. More and more, we're rethinking the products we offer to lessen any negative effect they might have on the environment — because it's the right thing to do and because it's what our guests value. We measure our guests' preferences through surveys, trend research, sales patterns and product tests.

In nearly every merchandise department, you'll find products made from recycled materials, nontoxic chemicals or organic ingredients, packaged in recyclable or biodegradable containers.



Food and grocery: Target was certified as an organic produce retailer by the USDA in 2006, and we now carry more than 700 organic items, including produce like vegetables, berries, bananas and apples. And we're planning to increase the number of organic foods we sell, test more organic fibers in textiles, and boost the number of natural health and beauty products that we offer. Owned-brand organic items under the Archer Farms label include cereal, whole-wheat pasta, pizza, applesauce, frozen fruit, olives, tea, snack chips and more. We've also expanded our Archer Farms seafood selection to include more Marine Stewardship Council-certified sustainable seafood, fished with environmentally responsible methods.



Health and beauty: At Target, our guests will find personal-care products that aren't tested on animals and that are free of synthetic ingredients like parabens, phthalates and sodium lauryl sulfates. They include brands like Alba, Avalon Organics, Burt's Bees, Dr. Bronner's Magic Soaps, Giovanni Organic Cosmetics, J/A/S/O/N Natural Products, Juice Organics, Kiss My Face and Weleda.



Domestics: We carry 250-thread-count sheets made from 100 percent organic cotton, grown without pesticides or synthetic fertilizers, and 250-thread-count sheets made from a 60/40 blend of cotton and sustainably grown bamboo.

Doormats: Guests can find doormats made of 100 percent recycled rubber, as well as doormats woven from coir, a natural and sustainable fiber.

Housewares: We carry a wide range of bamboo cookware and kitchen utensils, plus water filters that purify the same amount of water contained in 300 plastic bottles.

Electronics and lighting: Many of our electronics, appliances and lighting products — including compact fluorescents and LEDs — are Energy Star-certified by the EPA.

Music and movies: Recyclable cardboard CD cases are beginning to replace plastic cases.



Household cleaners: Detergent and home-cleaning product assortments include nontoxic and biodegradable brands like Method, which uses plant-based ingredients.

Pets: We carry a variety of products made from recycled materials, as well as all-natural cat litter and organic catnip.

Men's: At 260 stores we are testing sales of men's clothing — knit polos, screen tees, shorts and more — made from organic fibers.

Infants: Target.com offers infantwear made from organic cotton.

Stationery and office paper: We offer paper products, including greeting cards and notebooks, made from recycled paper.

GiftCards: Target was first to market in 2007 with a GiftCard made from a compostable PVC alternative, made from corn, called PHA. All GiftCard carriers and envelopes in stores are now made from 100 percent processed, chlorine-free, recycled paper that is Green Seal, FSC and Green-E certified.

Packaging

As a founding member of the Sustainable Packaging Council, we believe that the packages our owned-brand products come in are as important as what's inside. During product development, our Packaging team recommends sustainable materials and ways to reduce packaging volume whenever possible. In addition, we work with printers who can reliably verify the content of our packaging. Our goal: to minimize any impact on the environment and manage our costs without compromising shelf appeal.

Whenever we can, we source owned-brand packaging materials that are:

- **Recyclable and made with recycled content:** The top sheet for all of our owned-brand corrugated packaging contains 80 percent post-consumer recycled content. For our organic cotton bath-and-bedding program launched in 2007, we sourced 100 percent post-consumer recycled paper printed with vegetable/soy-based inks. We also migrated from plastic to corrugated packaging for owned-brand dinner and salad plates.
- **Made with renewable resources:** Polylactic acid, or PLA, is a non-petroleum-based plastic made from corn; using eight new PLA packages in SuperTarget bakery and deli areas has removed more than 491,000 pounds per year of petroleum-based packaging from our shelves.



PVC

To reduce the use of PVC in our products and packaging (for more on this topic, see Pages 38-39), we're working closely with our vendors. Moving away from PVC is challenging because it's so widely used, but we're committed to making incremental changes like the ones detailed here. Last year, we developed a Sustainable Products Guide to educate our product designers, sourcing specialists and merchants about sustainable design and environmental considerations associated with forest/paper products and PVC. We'll expand this guide over time to address other product-specific issues.

Non-retail procurement

We are making more environmentally friendly choices for non-retail goods and packaging procured for our stores, distribution centers and headquarters. In 2006, we introduced a Food Avenue kids' meal box made from 100 percent recycled content featuring 40 percent post-consumer fiber. In 2007, we switched from foam to paper cups in Food Avenue and our headquarters cafeterias, and we began using 100 percent recycled beverage sleeves, with a minimum of 60 percent post-consumer fiber.

Less Is More

Recent packaging updates designed to lower environmental impact and boost sales:

Halloween costumes, fall 2008

Before: PVC bag

After: Velcro loops (exclusive new system; patent pending)

Benefit:

- Eliminates nearly 450,000 lbs. of PVC/year
- Saves material costs of more than \$1 million/year



Home furniture, spring 2008

Before: Bleached white topsheet on corrugated boxes with a three-sided label

After: Natural kraft boxes with a two-sided smaller label

Approximate Benefit:

- Eliminates nearly 830 lbs. of hazardous air pollutants/year
- Eliminates 1.4 million lbs. of greenhouse gases/year
- Reduces label stock by 1.1 million lbs./year
- Saves material costs of roughly \$2.2 million/year



Circo® sunglasses, spring 2008

Before: PVC box with printed paper insert

After: Paperboard backer card

Benefit:

- Eliminates more than 14,500 lbs. of PVC/year



Merona® bagged socks, spring 2008

Before: Plastic bags

After: Paperboard bellyband

Benefit:

- Eliminates approximately 27,000 lbs. of plastic/year
- Saves material costs of more than \$190,000



Facilities and natural resources: Building thoughtfully

The communities where we build Target stores, distribution centers and offices are the communities where our team members and guests live, work and play — so we're deeply mindful of the effect our projects have on local ecosystems.

Our Real Estate and Property Development teams offer decades of experience in sustainable design, construction, development and resource-preservation techniques, employing their expertise on 114 new Target stores in 2008 alone. Yet long before they begin building any store, they develop relationships with community leaders and planning commissions so that each store will be aesthetically pleasing and create minimal environmental impact.

Whether we're leasing or purchasing a new store site, we perform thorough environmental due diligence:

- To develop our own template, we used the industry standard American Society of Testing and Materials E-1527 protocol.
- Our template expands requirements to include reviews of local regulations and ordinances, plus studies of natural resources like wetlands, critical habitats and endangered species.
- Our review protocol incorporates due-diligence requirements of the strict Brownfields Revitalization Act regarding potential environmental concerns.

- When we commit to redeveloping a brownfield site, we create a remediation solution that meets state and federal standards, and we frequently enter voluntary cleanup programs with state agencies to ensure that our solution best serves that site. Our brownfield redevelopment projects create jobs for our communities and increase tax revenues for cities and schools. We select our communities for the long term: We build our stores to last for 50 years or more with regular maintenance and remodeling to maintain our financial investment and keep stores looking brand-right.

An important part of our growth strategy involves expanding into densely populated metropolitan areas. Because it makes smart business sense — and offers the added benefit of improving communities — many of our projects in these areas involve reusing existing buildings or redeveloping “brownfields,” environmentally impaired properties that range from an area where a chemical spill occurred to a full-fledged former Superfund cleanup site.



T-2249 in Ansonia, Conn., is built on a site used for manufacturing for 150-plus years — most recently by a latex factory destroyed by fire in 2001. The project won an American Council of Engineering Companies Engineering Excellence Award.



A former truck stop also housing a diesel maintenance facility and hotel provided the site for T-2175 in Stafford, Va.



T-2137 in downtown Atlanta, Ga., formerly housed a steel production-and-finishing facility dating back to the early 1900s.



T-2229 in St. Paul, Minn., is a SuperTarget that replaced a general-merchandise Target store. We expanded onto the site of a former printing facility and four-story hotel.



To build T-2331 in Savannah, Ga., we cleaned up a site with a groundwater plume contaminated by an off-site source.



T-2376 in Orlando, Fla., set to open in October 2008, will replace an industrial/commercial area formerly home to an auto repair shop, paint-mixing facility, warehouses, printing shops and a chemical company.

Managing our carbon footprint: Treading lightly

Every individual and every organization has a “carbon footprint” — the total amount of greenhouse gas emissions given off during such daily activities as driving and burning fuel to heat and cool buildings.

Because Target is a growth company, our physical footprint gets bigger with every new store we open. That’s why we’re committed to using new ideas and new technology to control the growth of our carbon footprint. Today, many solutions — like solar panels that produce electricity for our stores — are still emerging and thus not economical to adopt chainwide. However, whenever possible, we take advantage of programs that mitigate costs: By the end of 2008, we will have employed solar panels on the roofs of 18 stores in areas where it makes economic sense.

We first measured our carbon footprint in 2005 using the Greenhouse Gas Protocol created by the World Resources Institute. We measure our efforts to manage emissions based on these guidelines; we’ll measure our carbon footprint again this year to see how we’re progressing.

Today, we report both our direct and indirect emissions in both this report and to the Carbon Disclosure Project, a group of investors interested in emissions data from many companies. We’re also exploring how we can measure emissions occurring farther away from our operations, like those generated in our supply chain and by our manufacturing vendors.

Choosing energy sources that don’t burn fossil fuels is one approach we’re exploring for managing our carbon footprint. (See Pages 50–54 for more information.)

In some cases, we have to work closely with our business partners to make changes. For example, since we depend on contract carriers to move the vast majority of our freight, we can’t directly modify the vehicles. We can, however:

- Modify our internal practices to reduce our supply chain, greenhouse gas emissions

Greenhouse gas emissions: By the numbers

Most of our emissions are indirect, created by the electrical energy required to light and cool our buildings and operate refrigeration systems. We also create some direct emissions by generating emergency power via natural gas.

2006 numbers:

2.63

million metric tons of CO₂-equivalent (CO₂-e)

Direct emissions: 140,000 metric tons of CO₂-e

Indirect emissions: 2.49 million metric tons

2007 numbers:

2.9

million metric tons of CO₂-equivalent (CO₂-e)

Direct emissions: 248,000 metric tons of CO₂-e

Indirect emissions: 7.2 million metric tons

Since 2005, we’ve reported our annual greenhouse gas emissions and climate-change risks to the Carbon Disclosure Project, a group of institutional investors worldwide who represent \$41 trillion in managed funds. The group assesses potential business risks and opportunities related to climate change based on responses to a questionnaire completed by the largest quoted companies in its portfolio.



Solar roof panels harness the sun's energy at a Los Angeles Target store.

- Encourage transportation providers to initiate emissions reduction initiatives
- Create the most efficient possible routes
- Maximize the amount of product each truck carries through efficient packing
- Ensure trucks don't travel empty from stores back to DCs
- Choose the transportation mode that creates the least emissions, such as container ships rather than airplanes for imported goods, and rail cars rather than trucks within the United States.

In every case, we've been able to do a better job of meeting our business needs while decreasing our impact on the environment.

Energy use

It's easy to understand why energy efficiency is a major area of focus for Target: More than 80 percent of the energy used by a typical Target store goes toward powering its heating and cooling, lighting and refrigeration systems. Controlling our energy helps control our operating costs and ultimately affects our competitive edge.

Sustainable design and energy efficiency are not recent trends at Target. An internal team of engineers and architects has been focused on cost-effective sustainable design for over a decade.

- White reflective roofs that reduce cooling needs have been used since the mid-1990s.
- Keeping mindful of energy efficiency, Target purchases most of its energy-consuming equipment directly, partnering with equipment suppliers to improve our energy performance.
- Many of our suggested improvements end up as standard features from which our guests, team members and communities can all benefit.
- Centralizing our energy management system at headquarters allows us to implement company-wide energy policies, customize and control output for stores of varying occupancies and troubleshoot our lighting, refrigeration, heating, cooling and exhaust systems.
- A state-of-the-art, Web-based system oversees refrigeration units that control temperatures, generate redundant alarms if temperatures go out of range and maintain energy-efficient defrost cycles.
- A pilot energy-demand management program in three stores, expanding to more than 100 stores in 2008, reduces our energy demand during peak periods by temporarily adjusting our energy-consuming building systems.
- We've re-evaluated our standards for temperature set points, lighting levels and equipment run times to identify savings opportunities and are making changes accordingly.
- In 2008, we plan to expand the use of electric and natural-gas meters in stores to help measure our usage and identify opportunities for improving efficiency.

- We're evaluating the feasibility of retrofitting existing stores' on-site energy generation systems to include renewable sources like solar panels and fuel cells.
- Rebates and incentives from utility companies make it financially feasible for us to install more energy-efficient equipment (like lighting and HVAC systems) in new stores, and replace existing equipment with more efficient models in older stores.
- In 2007, we created a department to focus on "building commissioning" — an emerging facilities-management approach that creates a system to verify that our energy consumption in new and existing stores is as efficient as possible. Commissioning helps us continuously improve the way we design, build, operate and maintain our stores, with a focus on extending the service life of our equipment and reducing ongoing maintenance costs. We're one of just a few retailers that uses this approach; in 2008, we'll build on our early successes by continuing to refine the process.



Energy-saving light technology: By the numbers

Converting three-lamp fluorescent light fixtures to two lamps without compromising light levels in stores

\$3.2 million annual savings

Adding motion-sensor lighting in stockrooms, offices and team breakrooms

80% savings in energy costs in these areas

Replacing neon lights with light-emitting diodes (LEDs) for all new stores' exterior signage

80% energy-use reduction in exterior signage
(We also save on maintenance costs.)

Renewable energy

The market for renewable energy sources like solar and wind power is still new enough that it's often cost-prohibitive. However, we're seeing incremental changes in many areas in which we operate. For example, in California:

- We have a multi-year energy-supply contract with the Fortistar Methane Group, which harnesses methane gas from landfills to produce clean energy.
- We currently harvest solar energy at 18 stores, and will complete solar installations at three additional stores during the first quarter of 2009.
- We are investigating ways to maximize renewable energy credits from the government.
- We will involve our Procurement team in conducting reverse auctions for solar panel installation.
- We are considering ways to ensure that roofs on future stores will accommodate solar collection systems.

LEED standards

We've incorporated sustainable attributes in the design and building of our stores for years. Today, we use the Leadership in Energy and Environmental Design (LEED) rating system, developed by the U.S. Green Building Council (USGBC), as a guide for the design, construction and operation of high-performance green buildings. By year-end 2007, three stores had completed the LEED review process.

A former trucking facility site that we redeveloped in the McKinley Park neighborhood of Chicago was the first U.S. Green Building Council Leadership in Energy and Environmental Design (LEED)-certified Target store. We have another LEED-certified store in Chicago and a LEED Silver-rated store in Allen Park, Mich.; additional stores are pending certification review.

Before



We're using our design and construction expertise to help the USGBC create a simplified, cost-effective LEED certification process for retail stores. Target is one of 38 companies participating in the USGBC Pilot Portfolio Program, which aims at certifying a large number of buildings. The program explores retailers' unique needs, like ensuring that windows and lighting are environmentally friendly but also meet our high standards for keeping guests and team members safe.

A dedicated guide

Our Target Developer Guide spells out environmental requirements for our partners in building new stores and guest parking. Among other things, we insist on:

- Low emissions of volatile organic compounds (VOCs) from carpet, adhesives, sealants and paints
- Locally manufactured construction materials (when feasible)
- Steel bar joists and concrete building components fabricated from recycled materials
- Recyclable white roofing membranes that reflect the sun's heat, reduce our stores' "heat island" effect, and don't contaminate rainwater runoff
- Natural or cultivated grasses and plants indigenous to the area for lawn and landscaping
- GreenGuard- and Energy Star-certified office furnishings and equipment
- Outdoor lighting fixtures that reduce light pollution and offer full cutoff
- Energy-management systems we can monitor from our Minneapolis headquarters

After



Protecting water and land

To comply with regulations, wherever we build stores, we work closely with local agencies to protect local water quality, conserve water supplies and preserve wildlife habitats, including wetlands, surface water and woodlands.

Managing stormwater runoff to prevent contaminants from entering bodies of water is one crucial task. To manage stormwater, our stores, DCs and headquarters locations typically have various physical structures, including retention or detention ponds, catch basins, rain gardens, underground detention chambers and pervious concrete or bioswales. Target's stormwater management system ensures that these structures are periodically assessed and maintained to ensure they function as designed.

We manage stormwater throughout the life of the building, as well as during the construction phase. We train our construction teams to be aware of soil and erosion-control management practices, and go beyond regulatory requirements to ensure stormwater compliance by performing periodic third-party owner's inspection on new stores under construction.

Our store designers use Low Impact Development (LID) design techniques where permissible to mimic the way rainwater would have percolated naturally through a site before there was anything built on it.

LID techniques include pervious pavement and infiltration systems, rain gardens and bioretention systems. LID improves water quality and results in more aesthetically pleasing landscapes.



Most stormwater runoff from T-3804 in West Jefferson, Ohio, eventually flows into Little Darby Creek, selected by the Nature Conservancy as one of the "Last Great Places in the Western Hemisphere." We created a stormwater basin with wetland plantings of more than 20 native plants that provides habitat for birds, frogs and butterflies while it cleans and filters the water as it leaves our site to flow into the creek. To control erosion and improve the upland and wetland areas around the DC, we also created a planting and restoration plan with annual tasks. In 2008, we'll conduct controlled prairie burnings and remove invasive species.

Other success stories

- In the upland area behind T-816 in Stuart, Fla., we planted several species of palm and other native trees. As these trees become established, they will provide a diverse wildlife habitat and their roots will protect the preserve area from soil erosion.
- The wetlands near T-2305 in Torrington, Conn., were full of invasive species that choked out other plants, so we selectively removed many of those plants and seeded the area with a wetlands meadow mix to reestablish native species. We then hired a wetlands biologist to monitor the reestablishment process for the next five years.
- Protected stream corridors run through the site of T-1926 in Albany, Calif., so we worked closely with the city of Albany, the Army Corps of Engineers and the California Department of Fish and Game to create a restoration plan, removing invasive plant species and replanting the streams with a native seed mix.

Economic Responsibility.

We make a strong brand promise to our guests: Expect More. Pay Less.[®] Our financial commitment to our shareholders is equally important: to generate a superior return on the capital we invest. To deliver on this objective, we remain dedicated to careful site selection for new stores; innovative merchandising and marketing to drive profitable sales; disciplined control of inventory and expenses; and a thoughtful approach to managing our capital structure. We also maintain a well-defined corporate governance strategy and a strong commitment to ethical operations and consistent, transparent financial disclosure.



Financial performance

Annual and quarterly financial results for Target Corporation may be found in the Form 10-Q and Form 10-K filings with the SEC. These documents are available at Target.com/investors.

Corporate Governance profile

For information, visit Target.com/investors and click on "Corporate Governance," then "Governance Guidelines."

Business Conduct Guide

For information, visit Target.com/investors and click on "Corporate Governance," then "Business Conduct Guide."

Financial Summary

	2007	2006 (a)	2005	2004	2003	2002
Financial Results: (in millions)						
Sales	\$61,471	\$57,878	\$51,271	\$45,682	\$40,928	\$36,519
Net credit card revenues	1,896	1,612	1,349	1,157	1,097	891
Total revenues	63,367	59,490	52,620	46,839	42,025	37,410
Cost of sales	41,895	39,399	34,927	31,445	28,389	25,498
Selling, general and administrative expenses (b)	13,704	12,819	11,185	9,797	8,657	7,505
Credit card expenses	837	707	776	737	722	629
Depreciation and amortization	1,659	1,496	1,409	1,259	1,098	967
Earnings from continuing operations						
before interest expense and income taxes (c)	5,272	5,069	4,323	3,601	3,159	2,811
Net interest expense	647	572	463	570	556	584
Earnings from continuing operations before income taxes	4,625	4,497	3,860	3,031	2,603	2,227
Provision for income taxes	1,776	1,710	1,452	1,146	984	851
Earnings from continuing operations	\$ 2,849	\$ 2,787	\$ 2,408	\$ 1,885	\$ 1,619	\$ 1,376
Per Share:						
Basic earnings per share	\$ 3.37	\$ 3.23	\$ 2.73	\$ 2.09	\$ 1.78	\$ 1.52
Diluted earnings per share	\$ 3.33	\$ 3.21	\$ 2.71	\$ 2.07	\$ 1.76	\$ 1.51
Cash dividends declared	\$.54	\$.46	\$.38	\$.31	\$.27	\$.24
Financial Position: (in millions)						
Total assets	\$44,560	\$37,349	\$34,995	\$32,293	\$27,390	\$24,506
Capital expenditures	\$ 4,369	\$ 3,928	\$ 3,388	\$ 3,068	\$ 2,738	\$ 3,040
Long-term debt, including current portion	\$16,590	\$10,037	\$ 9,872	\$ 9,538	\$11,018	\$11,090
Net debt (d)	\$15,238	\$ 9,756	\$ 8,700	\$ 7,806	\$10,774	\$10,733
Shareholders' investment	\$15,307	\$15,633	\$14,205	\$13,029	\$11,132	\$ 9,497
Financial Ratios:						
Revenues per square foot (e)(f)	\$ 318	\$ 316	\$ 307	\$ 294	\$ 287	\$ 281
Comparable-store sales growth (g)	3.0%	4.8%	5.6%	5.3%	4.4%	2.2%
Gross margin rate (% of sales)	31.8%	31.9%	31.9%	31.2%	30.6%	30.2%
SG&A rate (% of sales)	22.3%	22.2%	21.8%	21.4%	21.2%	20.5%
EBIT margin (% of revenues)	8.3%	8.5%	8.2%	7.7%	7.5%	7.5%
Other:						
Common shares outstanding (in millions)	818.7	859.8	874.1	890.6	911.8	909.8
Cash flow provided by operations (in millions)	\$ 4,125	\$ 4,862	\$ 4,451	\$ 3,808	\$ 3,188	\$ 2,703
Retail square feet (in thousands)	207,945	192,064	178,260	165,015	152,563	140,294
Square footage growth	8.3%	7.7%	8.0%	8.2%	8.8%	11.9%
Total number of stores	1,591	1,488	1,397	1,308	1,225	1,147
General merchandise	1,381	1,311	1,239	1,172	1,107	1,053
SuperTarget	210	177	158	136	118	94
Total number of distribution centers	32	29	26	25	22	16

(a) Consisted of 53 weeks.

(b) Also referred to as SG&A.

(c) Also referred to as EBIT.

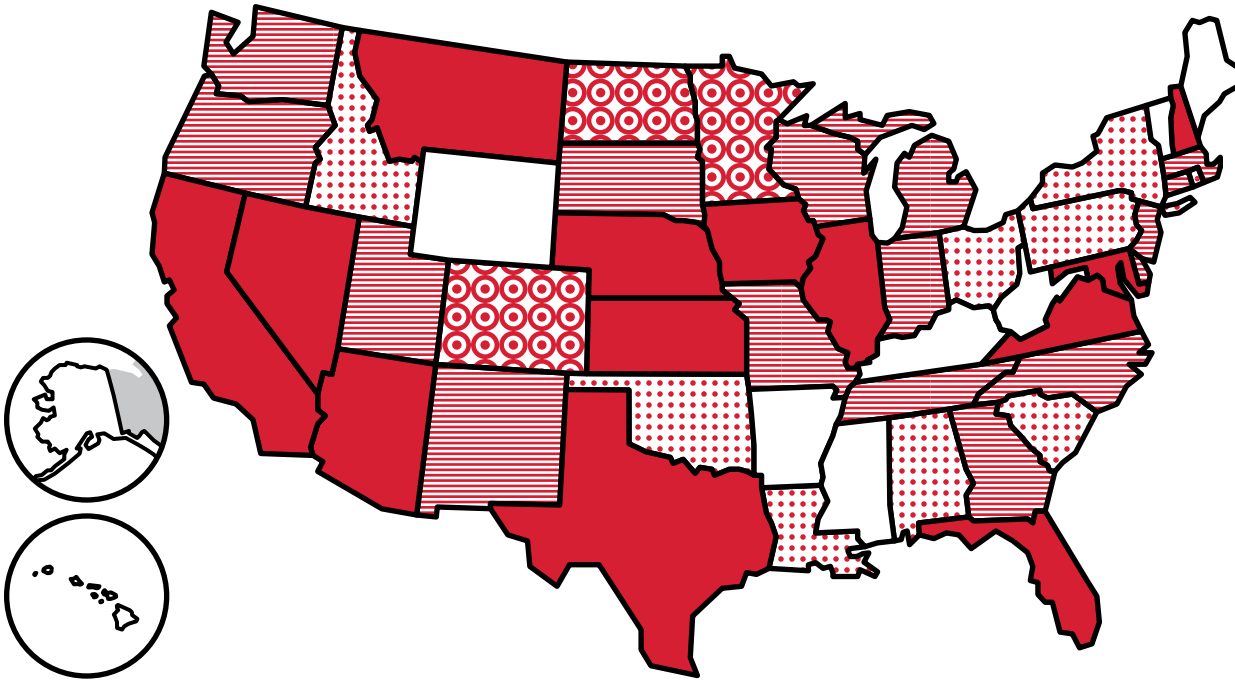
(d) Including current portion and notes payable, net of marketable securities of \$1,851, \$281, \$1,172, \$1,732, \$244 and \$357, respectively. Management believes this measure is a more appropriate indicator of our level of financial leverage because marketable securities are available to pay debt maturity obligations.

(e) Thirteen-month average retail square feet.

(f) In 2006, revenues per square foot were calculated with 52 weeks of revenues (the 53rd week of revenues was excluded) because management believes that these numbers provide a more useful analytical comparison to other years. Using our revenues for the 53-week year under generally accepted accounting principles, 2006 revenues per square foot were \$322.

(g) See definition of comparable-store sales in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

2007 Sales per Capita



Year-End Store Count and Square Footage by State

Sales per Capita Group	No. of Stores	Retail Sq. Ft. (in thousands)	Sales per Capita Group	No. of Stores	Retail Sq. Ft. (in thousands)
Over \$300			Tennessee	28	3,464
Colorado	38	5,615	Utah	11	1,679
Minnesota	71	10,032	Washington	34	3,968
North Dakota	4	554	Wisconsin	34	4,042
Group Total	113	16,201	Group Total	442	55,764
\$201-\$300			\$101-\$150		
Arizona	45	5,800	Alabama	18	2,554
California	225	28,836	Idaho	6	664
Florida	115	15,701	Louisiana	13	1,853
Illinois	82	11,035	New York	58	7,718
Iowa	21	2,855	Ohio	63	7,798
Kansas	18	2,450	Oklahoma	10	1,455
Maryland	32	4,082	Pennsylvania	47	6,039
Montana	7	780	Rhode Island	3	378
Nebraska	14	1,934	South Carolina	18	2,224
Nevada	15	1,863	Group Total	236	30,683
New Hampshire	8	1,023	\$0-\$100		
Texas	136	18,580	Alaska	0	0
Virginia	49	6,425	Arkansas	6	745
Group Total	767	101,364	Hawaii	0	0
\$151-\$200			Kentucky	12	1,383
Connecticut	16	2,093	Maine	4	503
Delaware	2	268	Mississippi	4	489
Georgia	51	6,845	Vermont	0	0
Indiana	32	4,207	West Virginia	5	626
Massachusetts	30	3,803	Wyoming	2	187
Michigan	57	6,690	Group Total	33	3,933
Missouri	33	4,321	Total	1,591	207,945
New Jersey	38	4,925			
New Mexico	9	1,024			
North Carolina	45	5,852			
Oregon	18	2,166			
South Dakota	4	417			

Sales per capita is defined as sales by state (based on 52 weeks of sales) divided by state population.

Credit card receivables

Our company has more than 100 years of experience in granting, underwriting and servicing credit for our guests. Over the past 15 years, we've leveraged this knowledge and experience to develop a highly profitable portfolio, strategically integrated into our core retail operations, and to become one of the 10 largest issuers of credit cards in the United States. Our primary products include the Target® Visa® Card and Target Credit Card,® together known as "REDcards," as well as GiftCards and other financial products. Target guests apply for REDcards exclusively in our stores and online at Target.com.

Unlike other retail credit card portfolios, Target's receivables portfolio offers a unique combination of attributes, which includes strong double-digit growth, a consistently high yield and unprecedented integration with our retail operations.

Following an extensive review, which began in September of 2007, on May 19, 2008, Target Corporation completed an agreement to sell an undivided interest in 47 percent of our credit card receivables to JPMorgan Chase for cash proceeds of approximately \$3.6 billion.

This unique agreement accomplishes the goals set forth last September when the review of receivables ownership was initiated. It provides:

- Significant liquidity to Target from a single source unrelated to debt capital markets.
- An appropriate sharing of the portfolio benefits and risks between Target and JPMorgan Chase.
- Allowance for our guests to continue to benefit from the creativity and expertise of the world-class team at Target Financial Services.

This innovative transaction marks the beginning of a long-term Target and JPMorgan Chase credit card relationship, which we believe will create substantial financial and strategic rewards for both companies over time.

This transaction provides Target with sufficient liquidity to implement its business plans, including previously announced capital investment and share re-purchase activity, without the need to access term debt capital markets again in 2008. Additionally, this transaction was expressly designed to allow Target and Target Financial Services to maintain card operations and to continue to provide our REDcardSM guests with the products, services and rewards they've come to expect from Target.



Corporate Governance

Target Corporation has been active in supporting corporate governance practices for decades. Many of the practices and policies that guide the company today were initiated more than 50 years ago by the Dayton brothers during their tenure as the company's leaders. Our strong beliefs about the elements that constitute good governance — including an independent board highly accountable to company shareholders — have been maintained and built upon year after year by the company's directors and senior officers. To read our full corporate governance guidelines, visit <http://investors.Target.com>.

In January 2008, we announced that Bob Ulrich, chief executive officer and chairman of the board since 1994, would retire as CEO effective May 1, 2008. Gregg Steinhafel, president, was named by the board to succeed Ulrich as chief executive officer. Ulrich, who turned 65 in April, will remain as chairman through Jan. 30, 2009.

Under Ulrich's leadership, Target Stores has nearly tripled the number of locations, increased sales more than four times, and become one of the most well-respected and recognized brands in retail. During his tenure, the company delivered an average annualized total return of 18 percent on its shares.

Steinhafel, age 53, joined Target in 1979 and served in a variety of merchandising positions before being named executive vice president, Merchandising, in 1994. He was promoted to president of Target in 1999 and became a member of the board of directors in 2007. In addition to overseeing Merchandising, Steinhafel previously had responsibility for Stores and Global Sourcing. Most recently, Steinhafel led all functions related to merchandising, as well as Target's distribution network, technology services organization and legal team, including Assets Protection and Government Affairs.

Bob Ulrich



As a Target team member for 28 years, Steinhafel helped to create and implement many strategies contributing to the company's long-term success. Steinhafel's appointment by the Board reflects its confidence that he will continue to be a thoughtful steward of the company's successful strategies while keeping Target well positioned to grow profitably.

Business Conduct Guide

We set a high standard for our conduct: Every Target team member, officer and director is obligated to act at all times with honesty and integrity. We expect team members to bring good judgment and integrity to every business decision. We're committed not only to maintaining legal compliance but to operating our business with the highest legal and ethical standards, which supports our reputation as being the best for our guests, team members, shareholders and communities.

In June 2008, *Ethisphere* magazine recognized our commitment to ethical conduct in ranking Target among the world's most ethical companies. In its audit of more than 5,000 companies across 30 industries, the magazine recognized companies that "go beyond making statements about doing business 'ethically,' to translate those words into action." Our reputation for legal and ethical behavior enhances our brand.

Every Target team member receives our Business Conduct Guide, which details our expectations for team member conduct and guides team members to make the right decisions; we expect our team members to know and comply with our policies. In 2008, we launched the Integrity@Target Web site, a centralized resource for our business conduct and compliance policies, training and other related information.

Additionally, each supervisor is responsible for ensuring that their team members are aware of the company's commitment to ethical and legal business conduct; of course, no supervisor or manager may require or in any way imply that a team member should act illegally. Team members can ask for confidential ethics and compliance advice about any business decision or situation by writing to the Business Conduct and Corporate Compliance team or by e-mailing Integrity@Target.com.

We investigate all credible allegations of violations of company policies and applicable law. Team members can make reports anonymously where permitted by law. Even in such circumstances, the identity of the person making a report will be protected as much as possible, based on the need to prevent potential harm to others, to comply with the law and to conduct a complete investigation. Team members who raise their concerns will not be subject to retaliation for reporting suspected violations in good faith; those who identify themselves will receive confirmation that the report was received and, in most instances, will be notified of actions taken.

Reports that raise material concerns about our accounting practices, internal controls or audit matters are referred to our Audit Committee. Any waiver of a provision of the Business Conduct Guide applicable to our executive officers or directors may be made only by our company's board of directors or a board committee designated for that purpose, and will be promptly disclosed to shareholders.



Corporate Compliance team

As regulatory complexities increase, it's more important than ever to focus our attention on conducting business in a legal and ethical manner. In 2008, we're making changes to better manage compliance activities. Previously, our compliance efforts were compartmentalized across the company; today, cross-company coordination is essential.

To meet that challenge, a new Business Conduct and Corporate Compliance team, led by Assets Protection, amplifies our focus on compliance using a streamlined approach without bureaucracy. Overseen by a Corporate Compliance Committee, made up of Executive Committee members, the Business Conduct and Corporate Compliance team guides our efforts, while individual groups continue to own specific compliance requirements.

For example, each business unit has identified team members who will coordinate with the Business Conduct and Corporate Compliance team to improve the compliance process in their respective areas. And, given the growing importance of health care compliance and information security governance, we're establishing functions to focus specifically on these two areas.

This new compliance structure integrates our efforts under a central team answering directly to Target's senior leaders and board of directors, gives us greater insight into corporate compliance risks, helps us develop better tactics and enables us to become more effective and efficient by sharing best practices and common tools.

How team members can report concerns

It's every team member's responsibility to understand the guidelines contained in the Business Conduct Guide, to act responsibly and to report unethical or illegal business practices. Several options are available for reporting.

Company policy violations can be reported to:

- The team member's supervisor
- Human Resources
- The Employee Relations & Integrity Hotline
- The Business Conduct and Corporate Compliance team

Violations of the law can be reported to:

- The team member's supervisor
- The Employee Relations and Integrity Hotline, 800-541-6838, or outside the United States, 704-556-7046
- The Business Conduct and Corporate Compliance team directly by sending an e-mail to Integrity@Target.com
- Target Corporation, 1000 Nicollet Mall, Minneapolis, MN 55403, Attention: Business Conduct and Corporate Compliance team, TPS-20

2007 Awards and Recognition

Award	Ranked by	Award Date
IACP Recognizes Target for Continued Support and Contributions	International Association of Chiefs of Police (IACP)	9/1/2007
Corporate Partner of the Year	National Black MBA Association (NBMBA) Twin Cities Chapter	8/26/2007
Target Makes Top-10 List of 'Ideal Employers'	Universum Communications	8/9/2007
INROADS Corporate Plus Award	INROADS	7/19/2007
FBI Recognizes Target for Community Contributions	FBI	6/7/2007
Robert J. Ulrich 'CEO of the Year'	<i>Chief Executive</i> magazine	6/7/2007
'Operation United Way' Earns Employee Engagement Award	United Way	5/17/2007
Target Ranks Among Best Adoption-Friendly Companies	The Dave Thomas Foundation for Adoption	5/3/2007
DiversityBusiness.com Recognizes Target	DiversityBusiness.com	5/1/2007

2008

Target Ranked Among 'World's Most Ethical Companies'	<i>Ethisphere</i> magazine	6/4/2008
Target Receives Pro Patria Award	Minnesota Chapter of the Employer Support of Guard and Reserve	5/12/2008
Target Named Among 'Most Innovative Companies'	<i>BusinessWeek</i>	4/22/2008
Target Ranked Sixth Among Top '100 Employers'	<i>Black Collegian</i> magazine	3/12/2008
Target Ranked one of 'America's Most Admired Companies'	<i>Fortune</i> magazine	3/3/2008



For more information about Target Corporation, or our initiatives and commitments related to corporate responsibility, send an e-mail to

investorrelations@target.com

or write to:

Target Corporation
Attention: Investor Relations, TPN-11
1000 Nicollet Mall
Minneapolis, MN 55403