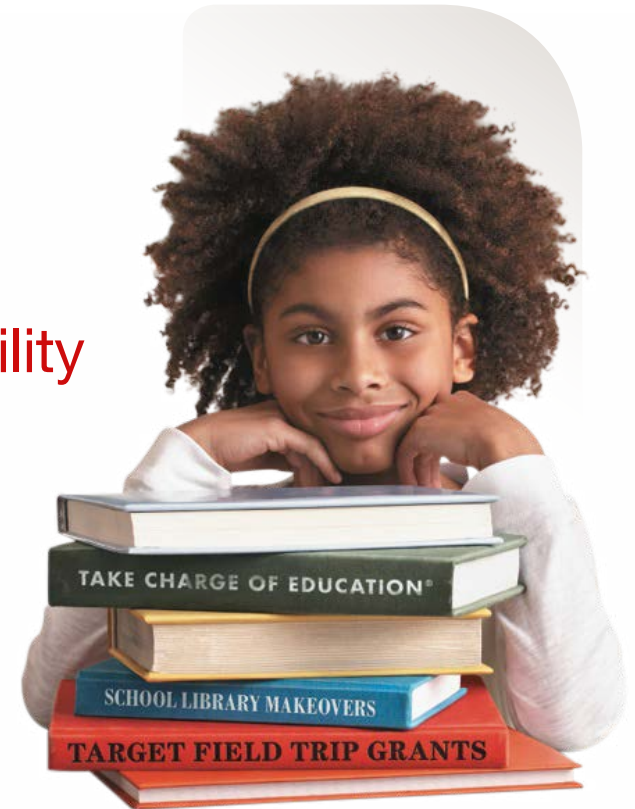


# 2012

## Corporate Responsibility Report



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# A Message from our CEO

As we transform our business to meet competitive challenges and adapt to how our guests want to shop, we remain focused on our legacy of giving and service and our commitment to strong, healthy and safe communities. And in today's era of unprecedented transparency around pricing and merchandising strategies, we believe it's also important to be transparent in reporting our goals and progress around corporate responsibility.

Engaging with our team members, guests, shareholders and communities is vital to overcoming challenges and meeting our goals for environmental sustainability, team member well-being, education and volunteerism – areas that are essential to the strength of the communities in which we operate worldwide and to the long-term health of our business.

From our sourcing offices all over the world to our stores across the United States and now Canada, our team is Target's single biggest competitive advantage. That's why we remain committed to creating workplaces that include opportunities for advancement; an environment where everyone feels welcome, respected and valued; and strong ethics training for our team members.

And to help ensure we have the talent to remain relevant and successful, we've committed to helping children reach their full potential and remain on track to meet our goal of giving \$1 billion for education by the end of 2015.

We continued to advance our commitment to responsible sourcing and environmental sustainability in 2012 by ending the harmful practice of sandblasting denim; working with our pork-product vendors to ban sow-gestation crates by 2022; committing to increase our organic food selection by 25 percent by the end of 2017; and making progress toward our goals of offering a 100-percent sustainable seafood selection in our stores and reducing waste, water and greenhouse gas emissions by the end of 2015.

Additionally, we are working to cut excess miles from our U.S. supply chain, limit packaging waste, and help our guests increase their use of reusable shopping bags, which has reduced plastic-bag consumption in our stores over the past four years.

Our approach to corporate responsibility has also played a significant role in our expansion into Canada. Since announcing our plans for Target Canada in 2011, we've built a strong Canadian team, pursued LEED certification for the 124 stores we'll open this year, and directly engaged with our communities to provide the best stores possible and help shape our giving and volunteerism efforts nationwide.

By leveraging our business strengths, we are meeting the challenges associated with our ambitious goals – to the benefit of our company and the communities we serve. And reporting our progress publicly – while continuing to listen and learn – helps us drive improvement and demonstrate to our guests that Target is a partner they can trust.



A handwritten signature in black ink that reads "Gregg Steinhafel". The signature is written in a cursive, flowing style.

Gregg Steinhafel | Chairman,  
President and CEO, Target

# Company Overview

## Our Operations

In fiscal 2012, Target Corporation reported as three segments: U.S. Retail, U.S. Credit Card and Canadian. As a publicly-owned, U.S.-based company, Target has a global presence with headquarters locations in the United States, Canada and India, sourcing offices around the world, and we expect to employ more than 375,000 team members by the end of 2013.

Our U.S. Retail Segment includes all of our U.S. merchandising operations – 1,778 stores in 49 states and the District of Columbia, as of FYE 2012. Our first store opened in 1962, and we offer both everyday essentials and fashionable differentiated merchandise at discounted prices. We operate general merchandise stores, most of which feature a fresh food assortment, and SuperTarget® stores, which offer a full grocery selection. In 2012, we opened our first smaller-format CityTarget<sup>SM</sup> stores in Seattle, Los Angeles, San Francisco and Chicago. We also operate 37 distribution facilities across the United States and three in Canada to support our stores. Our business is designed to enable guests to purchase products seamlessly in store, online or through their mobile device.

Our U.S. Credit Card Segment offers credit to qualified guests through the Target Credit Card and Target Visa. We also offer a branded proprietary Target Debit Card. Collectively, these REDcards® help strengthen the bond with our guests by offering discounts, rewards and the opportunity to designate a percentage of guests' purchases to the school of their choice. In the first quarter of 2013, we sold our credit card receivables portfolio and will no longer operate this segment of our business in the future.

Our Canadian Segment was initially reported in the first quarter of 2011 as a result of our purchase of leasehold interests in Canada from Zellers, Inc. (Zellers). In 2012, we opened our Canadian headquarters in Mississauga, Ontario, followed by our first Canadian stores in 2013.

## Our Brands, Products and Services

Our assortment combines the strength of trusted national brands, with owned and exclusive brands and design partnerships to deliver on our "Expect More. Pay Less.™" brand promise. Target owned-brand foods include Archer Farms®, Archer Farms® Simply Balanced™, Market Pantry®, Sutton & Dodge® and Wine Cube®. Our apparel and home collections include Merona®, Xhilaration®, Gilligan & O'Malley®, Prospirit®, Circo®, Threshold™, Room Essentials® and Smith & Hawken®. Other owned-brands include but are not limited to up & up®, Spritz®, Boots & Barkley®, Play Wonder® and Embark®.

In addition to household essentials, hardlines, apparel and accessories, food and pet supplies, and home furnishings and decor, many of our stores offer amenities such as Target Cafe®, Target Clinic®, Target Pharmacy®, Target Photo® and leased or licensed departments such as Target Optical®, Pizza Hut, Portrait Studio and Starbucks.

## Target at a Glance

as of FYE 2012



Revenues



Stores

In 49 states and the  
District of Columbia



Distribution  
Facilities



Bank  
Locations

# Where We Operate



**3**  
Headquarters  
Locations

**27**  
Global  
Sourcing  
Offices

**○ Headquarters Locations**

- U.S. – Minneapolis, Minnesota
- Canada – Mississauga, Ontario
- India – Bangalore, India

**• Global Sourcing Offices**

- |  |                                 |                       |                       |                                      |
|--|---------------------------------|-----------------------|-----------------------|--------------------------------------|
| Bangladesh<br>Chittagong<br>Dhaka  | Egypt<br>Cairo                  | Indonesia<br>Jakarta  | Nicaragua<br>Managua  | Thailand<br>Bangkok                  |
| Cambodia<br>Phnom Penh   | Guatemala<br>Guatemala City     | Korea<br>Seoul        | Pakistan<br>Karachi   | Turkey<br>Istanbul                   |
| China<br>Dongguan<br>Guangzhou<br>Qingdao<br>Shanghai<br>Shenzhen<br>Tianjin | Hong Kong<br>Kowloon            | Malaysia<br>Penang    | Philippines<br>Manila | United States<br>New York City       |
|  | India<br>Bangalore<br>New Delhi | Mexico<br>Guadalajara | Taiwan<br>Taipei      | Vietnam<br>Hanoi<br>Ho Chi Minh City |

# Our CSR Approach

## Materiality

In 2012, we conducted a formal materiality assessment in partnership with Business for Social Responsibility (BSR) to identify, evaluate and prioritize the top corporate responsibility issues for Target and our stakeholders.

In addition to the materiality assessment, we conducted qualitative and quantitative research.

Key qualitative inputs and considerations that informed our issue identification and prioritization included:

- Target's strategic priorities;
- research of the external landscape and benchmark companies;
- collaborative cross-company discussions;
- and in-depth interviews, online surveys and focus groups with key stakeholders, including guests, team members, consumers, shareholders, policy influencers, vendors, designers and brand partners, community organizations, think tanks, trade associations and business groups, and public safety officials.

Key quantitative inputs included:

- results from online surveys that measure stakeholder perceptions of Target and competitors;
- message testing to gain insight into the authenticity, clarity and credibility of issue-specific messages;
- and insights from our Target guest research.

As an outcome, we identified five key priorities, which provide the structure for this report:

- environmental sustainability
- responsible sourcing
- great place to work
- safety and preparedness
- education



## Stakeholder Engagement

### Why We Engage

Engaging with our stakeholders and listening to their ideas, concerns and perspectives is vital to the success of our business. We aim for meaningful dialogue with stakeholders who are focused on our top priority issues, and we initiate conversations with and respond to stakeholders in formal and informal ways every day across the company, throughout our communities, and across a variety of different channels. We take stakeholders' viewpoints into consideration when making business decisions, enabling change where it aligns with Target's business priorities and corporate responsibility focus areas. In addition, we regularly engage a third party to complete confidential interviews with key stakeholders to gather specific feedback around Target's overall reputation and efforts related to our corporate responsibility focus areas.

### Target Stakeholders

#### Guests

Guests who shop in our more than 1,700 U.S. stores across 49 states and online at Target.com

#### Team Members

Current, prospective and retired team members in our stores, distribution centers, global sourcing offices and headquarters locations. We expect to employ more than 375,000 team members worldwide by the end of 2013.

#### Policy Influencers

National, state and local elected and appointed officials and trade organizations

#### Communities

National and global NGOs, community organizations, national and local nonprofits, foundations, local schools and administration, national and local law enforcement and public safety officials and emergency management offices

#### Investors

All investors, including current and prospective shareholders and bondholders

#### Vendors

Vendors used in the production and finishing of products ordered by Target

## How We Engage

### Guests

Receipt-to-online guest satisfaction surveys

Input from interactions with our Guest Relations team who responds to direct guest inquiries

Focus groups to gain insights into what our guests want and expect from us

Face-to-face interactions every day in our stores

### Team Members

Confidential annual surveys about the company, where all results and anonymous open-ended comments are used by leadership to make improvements

Annual surveys to assess employee satisfaction with and provide feedback to direct supervisors

Internal communications to share information

Integrity Hotline, a vehicle for team members to report concerns dealing with potentially unfair, unlawful or unethical practices

Diversity Business Councils that help inform business strategy

Citizens at Target, a nonpartisan platform for civic engagement that highlights issues impacting Target's business and provides resources for team members to get involved

### Policy Influencers

Legislative meetings, formal hearings and one-on-one meetings

Trade associations and policy-based organizations engage on policy issues on behalf of Target

Inside Target, a quarterly e-newsletter that shares and asks for feedback on Target's social responsibility efforts

### Communities

Strategic partnerships with local and national organizations

Team members attend city council meetings and engage in dialogue with local leaders on community initiatives

Inside Target, a quarterly e-newsletter that shares and asks for feedback on Target's social responsibility efforts

### Investors

Regular investor and analyst calls and direct engagement through individual meetings and ongoing dialogue

Investor Day

Annual Shareholders' Meeting

### Vendors

**With all vendors:** Partners Online, an external website used to communicate critical information and comprehensive direction

Annual vendor meetings

Trainings and workshops

**With our owned-brand vendors:** Annual assessment

Annual Owned-Brand vendor meeting

Clean by Design pilot program, partnering with vendors to find ways to reduce environmental impact

Sustainable Apparel Coalition partnership involving direct engagement with vendors on ways to improve social and environmental performance in the supply chain



## Looking Ahead

Going forward, we will continue to shape our approach to stakeholder engagement to be more collaborative and partnership-oriented to identify opportunities, focusing on improving how we incorporate stakeholder viewpoints into business decisions. Using our founding membership in the [Sustainable Apparel Coalition](#) as a model, we will work to convene industry leaders for greater collective impact. And, as we open stores in Canada, we will continue to increase engagement with our Canadian stakeholder groups.



We convened community leaders using Design Thinking tools to enhance education initiatives that meet the needs of the community. [Watch](#) the process in action.



# Environmental Sustainability



## Overview

Target has established four commitments to integrate environmental sustainability into our business strategy. To deliver on these commitments, our corporate sustainability team works with more than 100 partners across the company to set goals, develop initiatives and monitor and report progress.

## Sustainability Focus Teams

Our five focus teams are guided by the Sustainability Leadership Council, a team of officers responsible for continuous improvement.

- Sustainable Living
- Sustainable Products: Products and Packaging
- Sustainable Products: Supply Chain
- Smart Development
- Efficient Operations

## Sustainability Commitments

### 1 Sustainable Living

Empower guests and team members to lead more sustainable lifestyles by providing the right information, tools and incentives to make it easy.

### 2 Sustainable Products

Expand our selection of sustainable product choices that effectively balance price, performance and convenience.

### 3 Smart Development

Be a retail leader in smart development by creating buildings that use space efficiently, improve connectivity for guests and team members, and enhance local communities.

### 4 Efficient Operations

Achieve milestones in our business by using resources responsibly, eliminating waste and minimizing our carbon footprint.

# 1 Sustainable Living

Empower guests and team members to lead more sustainable lifestyles by providing the right information, tools and incentives to make it easy.

## Guest and Team Member Recycling

Our recycling kiosks encourage guests and team members to recycle items including cans, plastic bottles, plastic bags and cell phones right in their Target store. Similar programs are available for team members at all headquarters and distribution center locations. In 2012, we began a composting program at select headquarters locations in the Minneapolis area.

## Reusable Bags

We offer an assortment of stylish, reusable bags as a regular alternative to paper or plastic, and we give our guests a 5-cent discount for each reusable bag every time they shop.

Starting in the fall of 2012, we began a reusable bag pilot in stores across the United States including cities like San Jose, Calif., Austin, Texas, and Portland, Ore., that have instituted plastic bag bans. The pilot featured seven designs, with a variety of size options, improved handles, pockets and patterns. We also took a more consistent approach to merchandising these bags, by placing them on fixtures in more prominent locations.

In 2013, we will introduce all seven of the reusable bag designs in all CityTarget and Target Canada locations. We will continue to focus on identifying innovative and differentiated ways to drive increased use of reusable bags in all of our stores.



Since 2009, our guests have used more than **140 million reusable bags**, avoiding the use of more than 350 million plastic bags\* – and allowing us to return more than \$7 million to them – a nickel at a time.

*\*We calculate a savings of approximately 2.5 plastic bags for every reusable bag our guests use.*

Learn more about our operational waste-reduction efforts on [page 32](#).



Our reusable bags meet guests' different lifestyles and needs - wheeled bags lighten the load for guests shopping at urban stores and extra pockets and zippers appeal to busy moms.

## Earth Day

Since our first Earth Day celebrations in the 1970s, we have steadily expanded our commitment to protecting the planet and maintaining the health of our communities. Our 2012 celebration focused on increasing awareness of products with sustainable attributes and establishing Target as the destination for these products.

We encouraged guests and team members to try these products through in-store sampling and giveaways, and high-impact promotions in our sustainability-themed weekly ad and Earth Day website.

We also partnered with Recyclebank, an organization that encourages guests to earn rewards, like product coupons, for actions such as recycling and reduced water usage.

In April 2013, we continued our focus on Earth Day with a new marketing campaign to engage guests.

## Team Member and Partner Education

In our headquarters locations, we continued to educate team members through quarterly sustainability meetings, which provide a platform to share information about sustainability efforts across the company. Some 2012 topics included recycling and composting, Target-brand supply chain, sustainable products and a year-in-review of Target's key 2012 sustainability initiatives.

In addition, we continue to host our annual Sustainability Forum, which brings together headquarters team members who have a connection to sustainability and external stakeholders who share our focus on sustainability. Each year, we share our progress toward our sustainability commitments and goals, recognize individual team members for their contributions and educate attendees about our future plans. Keynote speakers in 2012 were Adam Lowry from Method, Sally Uren from Forum for the Future, and Ian Yolles from Recyclebank.



# 2 Sustainable Products

Expand our selection of sustainable product choices that effectively balance price, performance and convenience.

## Products and Packaging

### Sustainable Seafood

Target is committed to selling only sustainable and traceable seafood by FYE 2015, helping to ensure that ocean resources are protected for future generations. We continue to partner with nonprofit organization FishWise as we work toward our goal.

### Increase Sustainable Seafood Selection

As of FYE 2012, 50 percent of our seafood selection is sustainable, traceable, or in a time-bound improvement process, putting us on track to reach our goal to ensure 100 percent of our seafood selection meets these criteria by FYE 2015.

We define sustainable, time-bound improvement process, and traceable as follows:

**Sustainable:** Seafood is sustainable when it is caught or raised and extracted from its environment in an environmentally sensitive manner without jeopardizing the affected ecosystems. The species' country of origin is also taken into account. These products are rated green or yellow by the Monterey Bay Aquarium's (MBA) Seafood Watch program. Wild-caught products are certified by the Marine Stewardship Council (MSC).

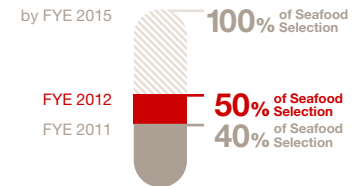
**Time-Bound Improvement Process:** This seafood may not be ranked as "sustainable" today, but it is part of a Fishery Improvement Project (FIP) – a time-bound effort that is designed to help a given fishery with deficiencies to become sustainable.

**Traceable:** Seafood is traceable when the final product can be traced throughout the entire supply chain to its point of harvest or capture. Since Target takes possession of seafood at our distribution facilities, all traceability before this point falls to vendors, on whom we rely for source documentation.

### Increase Sustainable Seafood Selection

ON TRACK

Ensure that our fresh and frozen seafood selection is 100 percent sustainable, traceable, or in a time-bound improvement process



To meet our goal, we're pursuing a two-fold procurement strategy. First, we're working with existing suppliers to improve their environmental performance, work that includes FIPs. And we're working with our farmed seafood suppliers to improve feed formulas and farm design and implement risk-mitigation measures, all of which will improve the environmental performance of farms over time. Finally, we're seeking new vendors who can supply products that already meet our sustainable seafood standards.

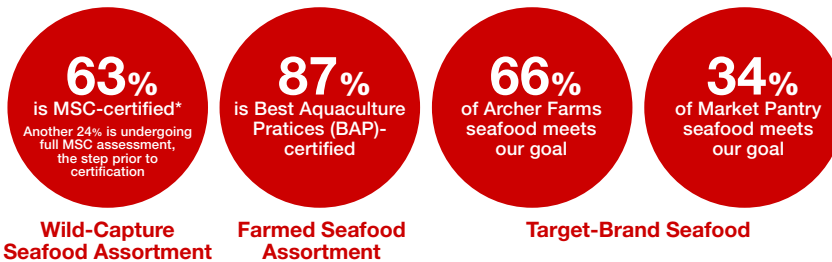
In 2012, we began work to improve sustainable sourcing of priority one species: shrimp and tilapia. Priority one and two species refer to the work plans we established based on the volume and product rating for that particular species. To do this, we will expand existing vendor relationships, identify sustainable alternatives and develop supplier guidelines.

We also strengthened our support for environmentally responsible fishing practices in our shelf-stable seafood assortment by introducing Wild Planet canned tuna to more than 900 stores. This tuna is sourced from fisheries that use pole-and-line fishing methods, which are more selective than traditional methods and result in less associated bycatch – the incidental catch of non-target species like turtles, juvenile fish and marine mammals.

Between now and 2015 we will conclude our priority one species work on shrimp and tilapia and begin work on priority two species: mahi-mahi and tuna.



**Target Seafood**



*\*Approximately 85 percent of Alaskan salmon fisheries are not renewing their Marine Stewardship Council (MSC) contract. While this means that 85 percent of Alaskan salmon no longer carry the MSC eco-label, the species is still considered sustainable according to Monterey Bay Aquarium (MBA) criteria.*



## Organic Food

Organic agriculture uses ecologically based practices including integrated pest management and exclusion of synthetic chemicals, antibiotics and hormones, and enhances conservation of soils and biodiversity.

### Increase Organic Food Offerings

We set a new goal to increase our offering of organic food and beverages, including baby food and nutrition supplement bars by 25 percent by FYE 2017, part of our commitment to expand our selection of sustainable products and address our guests' growing interest in organic options. We'll measure our progress against the number of organic items that were in our assortment as of FYE 2011.

### Animal Welfare and Agriculture

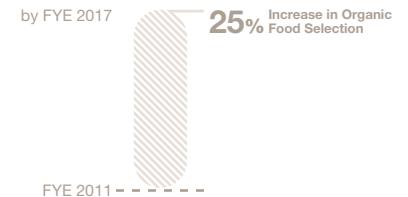
We are committed to the humane treatment of animals and believe they should be raised in clean, safe environments free from cruelty, abuse or neglect.

In 2012, we formed our Animal Agricultural Advisory Council, a cross-functional team that provides guidance in making informed product-sourcing decisions in our food businesses. The council assesses food industry issues in animal agriculture and develops recommendations on food issues. For example, we made a commitment to source pork products from vendors committed to eliminating the use of sow gestation crates by 2022.

### Increase Organic Food Offerings

NEW

Increase organic food offerings by 25 percent





## Sustainable Packaging

### Improve Owned-Brand Packaging Sustainability

To improve our packaging sustainability, we set a goal in 2011 to make more of our owned-brand packaging designs more sustainable by FYE 2016.

For a package design to meet our goal, we require at least a 10 percent improvement in one of several attributes – either by reducing the overall material used, including more recycled or renewable content, or reducing product waste. We’re also pursuing using more recyclable materials, counting on updated package toward our goal if it’s 100 percent recyclable.

To ensure our improvements have a meaningful impact, we’re using specific approaches to reduce packaging, as outlined by the Global Protocol on Packaging Sustainability.

By FYE 2012, we completed 11 sustainable packaging projects, putting us on track to meet our goal of enhancing 50 packaging designs by FYE 2016.

Several projects contributed to our progress in 2012. For example, we converted our packaging for Threshold tablecloths and napkins from backer cards to hang tags. In addition, our pharmacies now dispense prescriptions in lighter-weight Clear Rx bottles that use less plastic.

#### Threshold Tabletop Packaging Improvements

**50%**  
reduction  
in weight

**Tablecloth  
Packaging**

**31%**  
reduction  
in weight

**Napkin  
Packaging**



photo by Tim Pearson

#### ClearRx Prescription Bottle Improvements

**10%**  
reduction  
in weight

**Entire  
Assortment**

**16%**  
reduction  
in weight

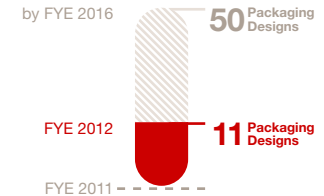
**Most Frequently  
Used Size  
(15 Dram)**



### Improve Owned-Brand Packaging Sustainability

ON TRACK

Enhance at least 50 owned-brand packaging designs to be more sustainable



Our packaging reduction projects have resulted in an annual savings of more than **813,000 pounds** of material

### Sustainability Product Standards

Today there is no industry definition or process to define and qualify sustainable products. As a result, more than 400 sustainability claims and certifications exist in the market. We have begun work to establish criteria for a sustainable product at Target, starting with beauty items because they are relevant to our guests and present a clear opportunity for improvement.

## Supply Chain: Sustainable Target-Brand Sourcing

The future of our business depends on taking care of the resources we have today, so we work with industry partners and experts on ways to reduce the environmental impact of our products, from their packaging to the transportation that carries them to our stores. Our aim, working with our partners, is to create better tools and more efficient processes for producing and shipping our products over time, and to use what we learn to improve our own practices.

In 2012, we increased our focus on integrating environmental sustainability into our Target-brand supply chain.

### Sustainable Apparel Coalition

In 2011, Target became a founding member of the Sustainable Apparel Coalition, an industry-wide group of more than 80 apparel and footwear brands, retailers, suppliers, nonprofits and NGOs committed to reducing the environmental and social impacts of apparel and footwear products around the world.

#### The Higg Index

The coalition's main focus is the Higg Index, a tool that measures the environmental performance of apparel products using three models of sustainability: Brand, Product and Facility.

Target has adopted use of the Higg Index, and the results of these assessments are incorporated into annual vendor and supplier reporting, along with existing metrics of cost, design and quality.

In 2013, we will continue to collaborate with the Sustainable Apparel Coalition to develop tools and resources for continued improvement.

Higg Index Sustainability Models	What We Did
The Higg Brand Module evaluates whether a company is aware of the impact of its products and what it's doing to reduce those impacts. Brand performance is determined by indicators across the following areas of the supply chain: materials, packaging, manufacturing, transportation, product care and repair, and end of life.	Target participated in a Brand Module benchmarking study with other coalition members to validate our current efforts and inform future priorities.
The Higg Product Module evaluates products by the amount of recycled materials they contain, their efficiency, and impact.	Target piloted the Product Module on two of our highest volume apparel styles, and have used the results to drive category-level sustainability initiatives. We also have supported the replication of the Product Module to include additional product categories like footwear and home textiles.
The Higg Facilities Module evaluates sustainability indicators like air emissions, waste, water and energy use.	Target used the Facilities Module to assess more than 3,000 of the facilities where our Target-brand products are manufactured. Ninety-five percent of these facilities voluntarily participated, and we used the results to prioritize our coaching efforts on the facilities that have the biggest potential impact.  In 2013, we will begin on-site validation of the Higg Facilities module by assessing facilities in Central America. We'll also expand our validation efforts to countries in Asia and broaden the scope of our assessment process within the supply chain by the end of the year.

## Clean by Design

In the Clean by Design initiative, we partnered with the National Resources Defense Council (NRDC) to pilot 10 best practices – such as chemistry and manufacturing processes – in three high-volume mills for one year to reduce the environmental impact of our supply chain. We were pleased to realize significant savings in water, energy and materials after one year.

## Life Cycle Assessment Tool

In partnership with Deloitte Consulting, we piloted a life cycle assessment tool to assess the environmental footprint of a product measuring greenhouse gas emissions, water consumption and solid waste (including production, consumer use and end of life). We learned that growing, harvesting and spinning raw materials (such as cotton), and consumer laundering have the greatest impact on water and energy consumption. In fact, consumer laundering was found to contribute 70 to 80 percent of the total fossil fuel used.

We know that one way to reduce energy use in the consumer laundering phase is through cold water wash. Through an inventory of the current apparel products in our stores, we found that more than half are labeled “machine wash cold.” Over the next year, we’ll look for more opportunities to educate our guests on the environmental impact of home laundry, and move more of our products to cold water wash.

## Clean by Design

**75%** of the projects delivered a return on investment within a year



Mills improved water and energy efficiency by as much as **12%**

## Supply Chain: Transportation

### Fuel-Efficient Transportation

To adopt cleaner and more fuel-efficient transportation practices, we work closely with carriers, vendors and other partners to put more efficient processes in place.

By FYE 2012, we improved our inbound transportation efficiency by 26 percent to 1.4 cartons per mile, and our outbound transportation efficiency by 24 percent to 12.3 cartons per mile, both over our FYE 2009 baseline. This progress puts us ahead of our goals to improve inbound transportation by 15 percent and outbound transportation by 20 percent. Several initiatives – including more efficient trailer loading and routing – contributed to our progress.

While we continue to make progress, it is tempered by unique emerging challenges from our continued expansion of CityTarget, stores whose urban locations and limited storage space require smaller trailers and more frequent deliveries.

### Eliminating Miles and Loads

In 2012, we continued to eliminate miles and loads by managing logistics from vendor factories and working with vendors to determine optimal ship points for merchandise to realize more efficient routing and loading practices.

We also used our transportation-management system and dynamic route modeling to identify the most efficient routes to deliver fresh food to our SuperTarget and expanded food format stores.

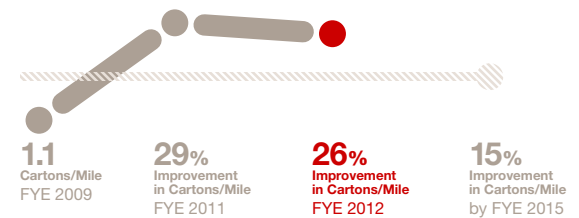
To make the most out of each load, we continued to improve our trailer-filling practices. We worked with third-party consolidation partners to finalize new best practices that increase our trailer loading efficiency, reducing the number of trucks required to transport merchandise to our distribution centers. We also are identifying ways to use reusable containers in our reverse logistics business, reducing our use of traditional wood pallets.

### Improve Transportation Efficiencies: Inbound

ON TRACK

Improve the efficiency of general merchandise transportation inbound to distribution centers by 15 percent and support the adoption of cleaner and more fuel-efficient transportation practices

*We've surpassed our goal early; however, we'll continue to measure progress through FYE 2015 to ensure we maintain our high level of performance.*

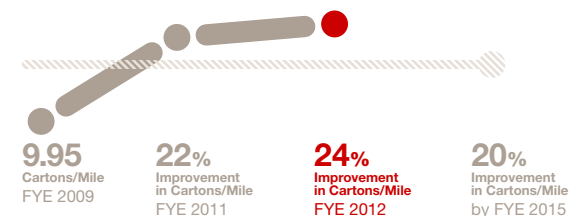


### Improve Transportation Efficiencies: Outbound

ON TRACK

Improve the efficiency of general merchandise transportation outbound from distribution centers by 20 percent and more fuel-efficient transportation practices

*We've surpassed our goal early; however, we'll continue to measure progress through FYE 2015 to ensure we maintain our high level of performance.*



## Reducing Emissions

Since 2008, we've been a part of the Environmental Protection Agency's SmartWay Transportation Partnership, which includes an annual carbon footprint assessment of domestic transportation operations. Today, 100 percent of our domestic freight is moved by a SmartWay partner.

From the ports of Los Angeles and Long Beach, Target is partnering with multiple SmartWay Transport Drayage Carriers to reduce emissions and improve air quality. Over the past year, Target carriers from these two ports have reduced CO<sub>2</sub> emissions by 1,165 short tons and particulate matter by 10.6 short tons, a 93 percent reduction from our 2008 baseline.

We continue to reinforce the no-idle policy at our distribution facilities, helping to reduce unnecessary fuel waste and fumes.

## Looking Ahead

During the next two years, we will implement approaches to reduce overall miles, improve our ability to consolidate full truckloads and reduce the miles we travel with empty trailers. We also will explore ways to measure and reduce emissions across our supply chain, including international distribution.

In addition to reducing tailpipe emissions through trucks that use clean diesel or liquefied natural gas, our carrier partners are focused on introducing new technologies, such as zero-emission trucks powered by hydrogen and electricity. We are currently working with our carriers to incorporate natural gas vehicles into our domestic fleet and creating a plan for future expansion.



# 3 Smart Development

Be a retail leader in smart development by creating buildings that use space efficiently, improve connectivity for guests and team members, and enhance local communities.

## Smart Development Framework

In 2012, we created our smart development framework and key principles – stewardship, convenience and community – to guide our new store and remodel development.

**Stewardship** means redeveloping environmentally impacted sites when possible and reusing existing sites, managing rainwater with innovative designs, and reducing paved area and the overall footprint of new sites.

**Convenience** means building stores where guests live and work, close to other services, and near access to several modes of transit.

**Community** means evolving and reinvesting in existing stores and sites, reinvesting in urban locations, serving as a catalyst for redevelopment to attract complementary services, designing sites with the neighborhood context in mind, and developing public-private partnerships.

For example, our Redondo Beach, Calif., store embodies a number of these principles. It stands on a reused urban site, is raised to accommodate a water-retention basin underneath (which halves its footprint), and is located next to a freeway that makes guest and team member travel more convenient. And our two-level State Street CityTarget in downtown Chicago is housed in a historic landmark building, located one block from mass transit.



## Sustainable Store Sites

In 2012, we introduced a sustainable site plan for all Target developers that establishes well-designed site planning strategies and encourages low-impact development practices. These include the incorporation of rain gardens and bioswales, reduced turf and increased use of drought or wet-site tolerant landscaping and increased capture of rainwater to reduce storm water runoff and irrigation.

## Native Landscaping

At many of our stores, we have realized a significant reduction in irrigation and fertilizer treatments as a result of our use of native landscaping. In addition, native landscaping allows our sites to fit more naturally into the surrounding community.

Beginning in 2015, we'll set a new goal to incorporate native plantings in 75 percent of the landscaping area for all new U.S. stores. While Target does not always control landscaping decisions for new store openings, we will implement our goal wherever possible. In areas where cities and/or developers have non-native plant requirements, we will incorporate native plants in at least 75 percent of the remaining landscaped area.

Although this goal has not yet begun, we're already laying the groundwork. In early 2013, we updated our site design guidelines to include native planting recommendations, and teams will begin to incorporate, track and report use of native landscaping in new store projects. We also are working with our landscaping vendors to incorporate new approaches that result in low-impact landscape management.

Beginning  
in 2015, we'll set a  
new goal to incorporate  
native plantings in  
**75%**  
of the landscaping area  
for all new U.S.  
stores



## Storm Water Management

In 2012, we voluntarily partnered with local watersheds to upgrade storm water management systems in two Minnesota store sites to low-impact systems using rain gardens. These retrofits contributed to a significant reduction in the volume of water, phosphorus, and total suspended solids entering the watersheds, as well as improving the surroundings for our guests.

We will complete two more Minnesota projects in conjunction with local watersheds in 2013, applying the same principles, and will seek additional opportunities to expand our efforts to other parts of the country.



## Brownfield Redevelopment

We focus on the redevelopment of environmentally impaired (brownfield) sites when possible by alleviating environmental risk to prepare them for productive use. While brownfield sites have historically been used as landfills, dry cleaners, petroleum refineries, gas stations and other uses that contaminated the subsurface soil and groundwater, we have decided to take on the cost and management of environmental clean up, which can represent as much as 10 percent of total construction cost for a single new store. Since 2010, more than one-third of our new store sites are redeveloped brownfields.



A local watershed requested private property owners to voluntarily retrofit existing stormwater systems in order to alleviate watershed quality concerns downstream. Target partnered with the watershed to install rain gardens at our Cottage Grove, Minn., store, which contributed to a reduction in the volume of water, phosphorus, and total suspended solids entering the watershed.

At our Baltimore East store, opening in October 2013, we are using a special membrane below the floor slab and a vapor collection and venting system to ensure that contaminated vapors do not accumulate under or within our building.



By FYE 2013, we will double our U.S. LEED-certified stores from eight to 16 and will achieve our first gold store. We are pursuing LEED certification in all 124 Canadian stores planned to open in 2013 and are on track to achieve this aggressive goal. When complete, we will have more LEED-certified locations in Canada than all other large-format retailers in Canada combined.



## Construction Waste Management

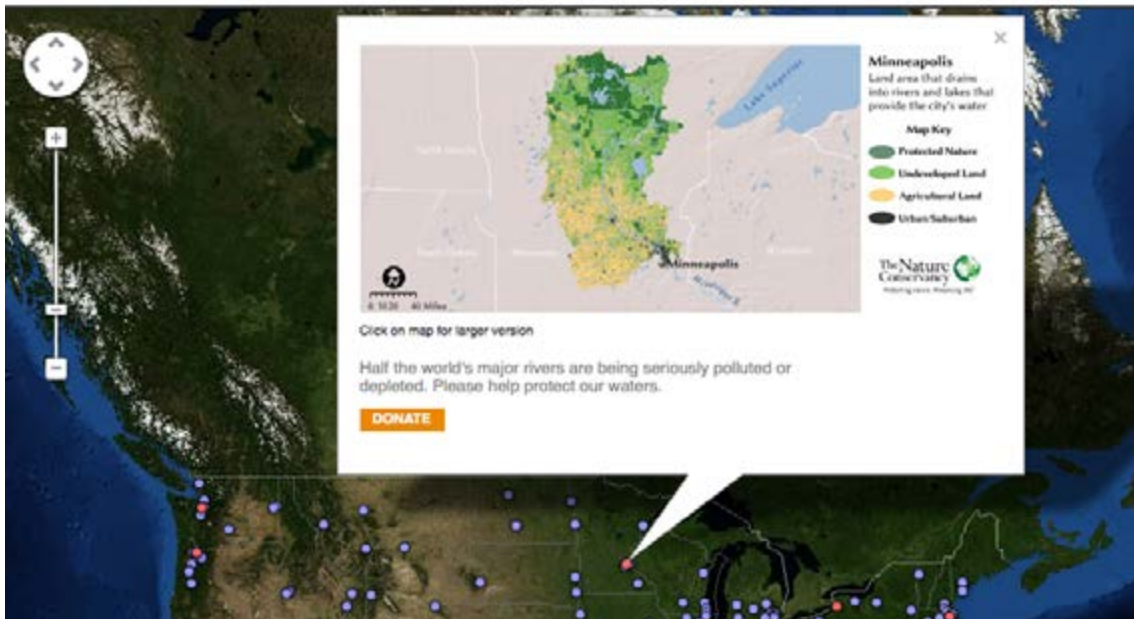
We strive to divert as much waste as possible from landfills from our new store and remodel construction sites. In 2012, we diverted more than 50 percent of our U.S. construction waste (e.g., concrete, cardboard, metal, roofing materials) from landfills. By establishing a specific recycling plan and diversion goal for each construction project, based on the scope of work and market recycling capabilities.

In some cases, construction waste diversion can exceed 75 percent depending on local infrastructure and project scope. In Canada, we expect to divert from landfills at least 50 percent of the construction debris from distribution and store projects, in accordance with LEED volume build certification requirements.

We continue to explore ways to divert construction waste from landfills to reduce environmental impact and expense. In partnership with vendors in 2012, we recycled 55 tons of ceiling tiles, 865 tons of roofing membrane, and continued a vinyl floor tile recycling pilot program that diverted more than 750 tons of material from landfills.



## WHERE DOES YOUR WATER COME FROM?



In 2012,  
we diverted  
more than

50%

of our U.S.  
construction  
waste from  
landfills

In 2012, Target supported expansion of the Nature Conservancy's "Where Does Your Water Come From?" initiative, an online resource that helps individuals in more than 400 cities across the world identify the source of their community's water. [Learn more.](#)

# 4 Efficient Operations

Achieve milestones in our business by using resources responsibly, eliminating waste and minimizing our carbon footprint.

## Energy

### Climate Change Position

Climate change has the potential to significantly impact our business and the communities in which we and our stakeholders live and work. Target supports the responsible reduction of greenhouse gas (GHG) emissions that ensures a stable business environment and believes that the responsibility for GHG emission reduction is shared across all sectors of the economy. Target also recognizes the need to reduce our energy consumption, which we are actively pursuing through improvements to our transportation practices and through the implementation of programs that reduce energy usage in our stores, distribution centers and headquarters buildings. Target supports a consistent, national approach to GHG emission reductions, complemented by government policies that support and encourage an efficient and clean energy economy.

### Carbon Disclosure Project

Target has responded to the Carbon Disclosure Project (CDP) investor survey every year since 2008. The following excerpt is from our 2012 CDP response, which is available at [Target.com/corporateresponsibility](http://Target.com/corporateresponsibility).

In the short term, greenhouse gas emissions reductions from operations are the primary climate-related driver for changing our business strategy. Both reputational and potential regulatory/financial impacts of climate change have also influenced our short-term strategy. This is evident in our allocation of capital specifically for carbon-reduction projects. These projects primarily include energy efficiency, as well as projects that reduce our high global warming potential refrigerants. Our carbon-reduction goal has increased the robustness of our existing energy management and innovations strategy. Our formal innovation process has been designed to bring together partners in engineering, architecture, operations, energy management, and sustainability to identify and test new technologies or processes. Innovation funds small tests and pilots and helps make the business case to implement successful projects across the chain.

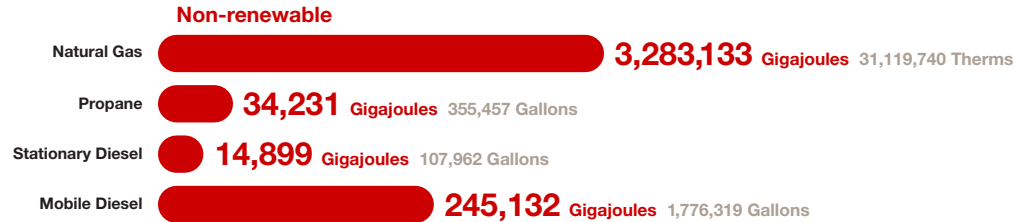
We also recognize the long-term impact climate change and potential carbon regulations have on our business. We are developing processes and technologies that enable us to track and monitor the impact of extreme weather events on our facilities, team members and guests. The current and evolving tools prepare us to address any possible increases in extreme weather events associated with climate change. In addition, we have begun examining the environmental impact embedded within our supply chain to understand our exposure to climate change within our supply chain. Our combination of operational efficiency, energy management, reputation management, and our evolving tools and technology provide a strategic advantage encompassing climate change. Short-term operational efficiencies enable improvements in expenses while we continue to pursue our longer-term public goals.



At our West Loop store in downtown Chicago, we've installed white roof membranes that reflect sunlight to lower our cooling needs, plus LED lights in exterior signs.

# 2012 Energy at a Glance

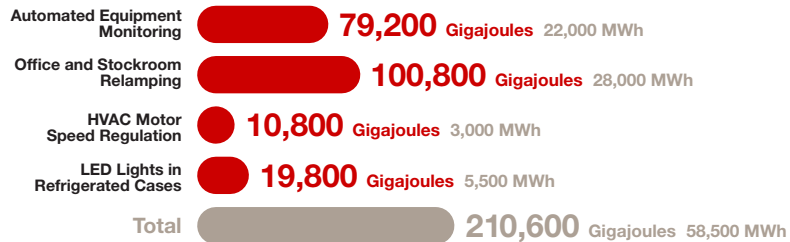
## Direct Energy Use



## Indirect Energy Use\*



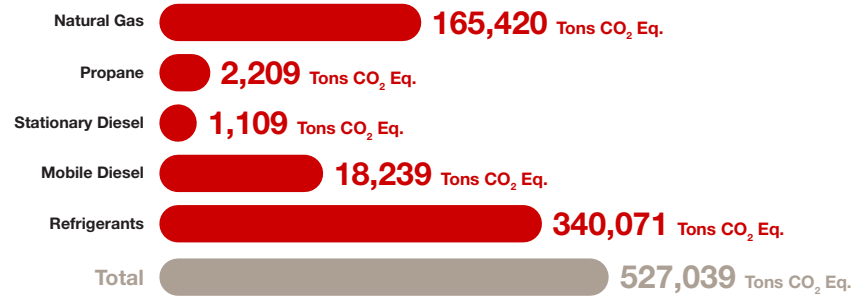
## Energy Efficiency and Conservation Projects



\*Includes intermediate energy used at Target facilities. Not a calculation of the total energy used to produce the electricity, steam and chilled water.

## GHG Emissions\*

### Direct Emissions

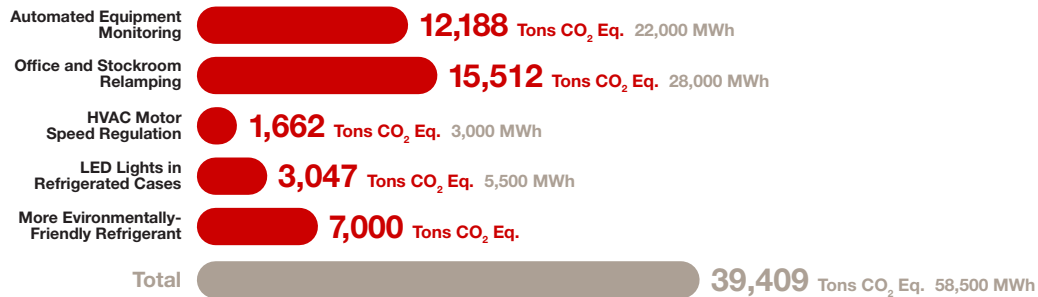


### Indirect Emissions



**Total Emissions** 3,016,905 Tons CO<sub>2</sub> Eq.

## GHG Emissions Reduction Projects



\*GHG emissions are measured in accordance with CDP methodology.

## Reducing Greenhouse Gas Emissions

By FYE 2012, our greenhouse gas emissions per square foot decreased 8.4 percent from our FYE 2007 baseline, putting us on track to reach our goal of a 10 percent reduction by FYE 2015. Adjusted greenhouse gas emissions per square foot – to account for the extra week in FY 2012 – decreased 10.2 percent, exceeding our goal three years ahead of schedule. We're proud of our carbon reduction achievements to date and will continue to track our progress through the end of the goal period.

Our greenhouse gas emissions per million dollars of retail sales decreased 10.5 percent from our FYE 2007 baseline, putting us on track to reach our goal of a 20 percent reduction by FYE 2015.

We continue to make progress through a combination of energy efficiency projects, like lamp retrofits and equipment monitoring in our stores, as well as external factors such as a cleaner electric grid.

## Improved Energy Efficiency

We continued to implement our lighting strategy by relamping offices and stockrooms, and retrofitting refrigerated cases with LED lights. Going forward, we plan to implement additional LED lighting retrofits in our parking ramps and refrigerated cases. We're also continuing to test and deploy more environmentally friendly refrigerant systems.

By implementing an automated fault detection diagnostics system, we are able to continuously monitor the energy-consuming equipment in our stores to ensure it is running as designed. This system helps optimize lighting, refrigeration and HVAC loads, resulting in reduced energy consumption.

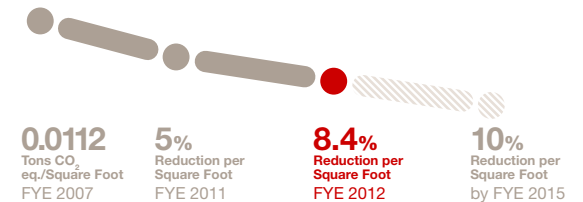
And in 2012 we tested variable frequency fan drives, which reduce energy consumption by allowing us to set fans at varied speeds rather than running all fans at high speed. We are expanding the program in 2013, bringing our total installations to more than 300 stores. We'll continue to evaluate other stores for future opportunities.

We're using these efforts along with advanced energy analytics and demand management strategies to continue reducing our emissions and overall energy use.

### Reduce Greenhouse Gas Emissions: Per Square Foot

ON TRACK

Reduce Scope 1 and Scope 2 greenhouse gas emissions by 10 percent per square foot



### Reduce Greenhouse Gas Emissions: Per Retail Sales

ON TRACK

Reduce Scope 1 and Scope 2 greenhouse gas emissions by 20 percent per million dollars of retail sales



## Alternative Energy Sources

### Solar

In 2012, we increased our rooftop solar portfolio to 26 stores with the addition of two stores in New Jersey. In 2013, we will conduct a review of solar vendors and markets to assess expansion potential and plan for the future.

### Fuel Cells

We installed supplemental fuel cells at two California stores this year as part of an energy innovation pilot project. In 2013, we are determining the potential for fuel cells to offer reliable, independent alternate energy generation when utility power is unavailable.

### Electric Vehicle Charging Stations

In 2012, we identified vendors for electric vehicle charging stations and, in 2013, will install these stations at select stores in California and Hawaii.



Rooftop solar panels



Fuel cells



Electric vehicle charging station

## ENERGY STAR

By FYE 2012, 631 U.S. Target buildings earned the ENERGY STAR, resulting in 45 percent of our U.S. buildings being certified and putting us on track to achieve our goal of certifying 75 percent of our buildings by FYE 2015.

The ENERGY STAR certification process – the Environmental Protection Agency’s 20-year old program that helps businesses and individuals save money and protect the climate through energy efficiency – analyzes 12 months of utility bills along with individual building parameters. To become certified, a building must operate as efficiently as the top 25 percent of similar buildings.

To reach our goal, we will continue to focus on earning ENERGY STAR certification as we remodel our stores. By late 2013, we will seek certification for Target buildings that are not part of our remodel program by looking for opportunities to combine efficiency projects with strategies that are already being implemented.

## Department of Energy Partnership

Target partners with the Department of Energy through the Better Building Energy Alliance, which connects 50 retailers with information to solve shared energy challenges. Our involvement in the Alliance enables us to improve the efficiency of our existing buildings. One example is the rooftop HVAC unit challenge, a collaboration between retailers and manufacturers that resulted in production of HVAC equipment that is 50 percent more efficient than current energy code.

And, through the Commercial Building Partnership, we worked with the Department of Energy to retrofit or open new stores with whole-building energy savings. We will apply what we learned through retrofitting our Thornton, Colo., SuperTarget to future SuperTarget retrofits and are continuing to measure and verify performance to determine the most cost-effective approaches.

## Environmental Protection Agency Partnership

As a partner in the Environmental Protection Agency (EPA) GreenChill program, we began using CO<sub>2</sub> as a refrigerant in two Target stores in 2010. Since then, we’ve expanded our use of CO<sub>2</sub> to four stores, earning GreenChill Gold certification in two of them – our San Clemente, Calif., store in 2011 and our Los Angeles Central CityTarget in 2012.

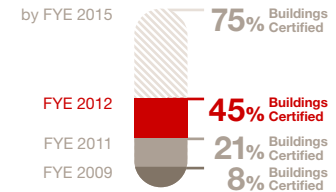
By expanding our transition from R404A refrigerant to R134a, a refrigerant with lower global warming potential, we were able to lower the potential negative impact of refrigerated displays by more than 60 percent. We also eliminated more than 20,000 pounds of ozone-depleting R-22 refrigerant from our SuperTarget stores.

And, we opened our new food distribution center in Denton, Texas, using ammonia refrigerant, which was designed to minimize our impact on the environment.

## Increase ENERGY STAR Certifications

ON TRACK

Earn the ENERGY STAR for at least 75 percent of U.S. Target buildings



## Commercial Building Partnership



## Waste

### Reduce Waste

By FYE 2012, our waste to landfill decreased 1.4 percent from our FYE 2009 baseline, bringing our total annual waste to landfill to 31 percent and putting us on track to reach our goal of reducing our waste by 15 percent by FYE 2015.

This year, we expanded our plastics recycling program at our stores, introduced a protein donation program to donate non-saleable meats to local food banks and shelters, and introduced a metal recycling program to keep metal waste out of landfills. We continue to monitor legislative actions and their impact to Target and the communities where we operate.

### Recycling

We reduce our waste through recycling initiatives in our operations and with guests and team members.

#### 2012 Recycling



**7,100+ tons**  
of plastic bags and shrink wrap

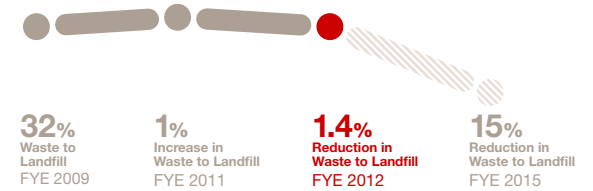
**1,400+ tons**  
of glass, plastic, and aluminum cans and bottles

**3,400+ tons**  
of electronics

### Reduce Waste

ON TRACK

Reduce the amount of operating waste sent to landfill by 15 percent



Learn more about our guest and team member recycling efforts on [page 12](#).



## **E-Waste Standards**

Target is committed to responsible environmental stewardship by actively monitoring our recycling and disposal practices for electronic waste – items recycled by guests in our in-store recycling kiosks – as well as merchandise and assets we recycle. We have developed the following standards, by which we expect our vendor partners to abide:

- All items are refurbished, broken down and recycled, or marketed for re-use.
- All e-waste items are processed domestically, and no e-waste materials are sent to landfills anywhere in the world.
- Vendors are required to submit monthly reporting on all sales and recycling activity, which, along with site audits, encourages transparency and allows visibility into vendor processes.

## ***Vendor Requirements***

Our program includes the requirements and considerations of various standards that e-waste recycling vendors must meet. These standards include certification standards (such as the e-Stewards standard or the Responsible Recycling (R2) standard), the vendors' internal processes and reputations, and periodic process reviews and inspections by appropriate Target team members or third-party inspectors. The vendor responsible for Target's e-waste processing must be independently certified to meet a minimum of the e-Stewards or R2 standards.

We also strive to continually improve and expand current programs while identifying new opportunities to divert materials from landfill.

## **Composting**

We continue to expand our headquarters composting program, regularly track and report our progress, and encourage our team members to make positive behavior changes.

We are making progress toward our goal to roll out composting to all headquarters locations in 2013, which contributes to our waste-reduction goal.

In 2012, we introduced our first store compost program in our San Francisco CityTarget and will continue to look at opportunities for expanding the program.

## Water

### Water Conservation

By FYE 2012, we used 3.59\* billion gallons of water, representing a 2.2 percent increase in water use per square foot from our FYE 2009 baseline. This puts us behind schedule to reach our goal of reducing our water use by 10 percent per square foot by FYE 2015, and highlights the challenge of meeting our goal should drought conditions similar to 2012 persist. Adjusted water use per square foot – to account for the extra week in FY 2012 – increased 0.29 percent.

We were challenged by widespread drought conditions and the warmest year on record in the United States, which significantly affected our anticipated reductions and increased the need for irrigation to sustain landscaping. And while we can calculate the impact of domestic water use initiatives with some degree of accuracy, variability in on-site use and the lack of individual sub-meters restricts our ability to measure the post-installation performance of various initiatives and verify their impact toward our goal.

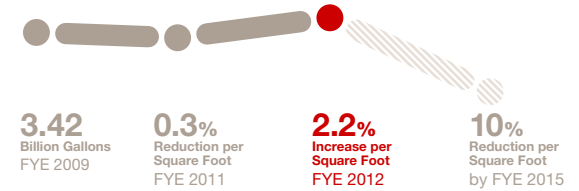
Despite the setback, we implemented several projects which we believe will contribute positively to our progress in coming years. In 2012, we expanded our installation of smart irrigation systems to an additional 143 stores. 2012 also was the first full year we eliminated or replaced ice cream dipper wells with metered faucets in our in-store Starbucks locations. We expect to see a reduction in facility water use of approximately 1.5 percent for this initiative. New stores opening in 2013 also have ultra-low flow restroom fixtures, which will make these stores among our most efficient for water use per square foot.

*\*FYE 2012 water use is based on 96.8 percent of billing data available at the time of publication. We included a projection of anticipated usage for the 3.2 percent of data that is unavailable.*

### Reduce Water Use

NEEDS IMPROVEMENT

Reduce water use by 10 percent per square foot



Our 2012 Water Disclosure is available at [Target.com/corporateresponsibility](http://Target.com/corporateresponsibility).



## Responsible Sourcing



## Overview

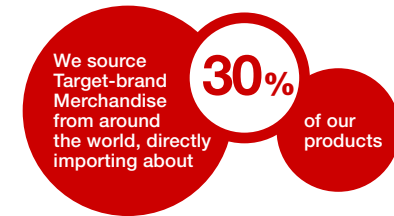
Our company's founder, George Dayton, was well known for his strong sense of business ethics. Today, we hold ourselves to the highest ethical standards, and we expect our vendors to do the same. This expectation includes manufacturers, contractors and vendors who provide merchandise, supplies and support around the world. We are committed to product quality, safety, acceptable labor conditions and environmental sustainability, and we take steps to ensure we meet the highest standards. Target works with regulators, manufacturers, industry organizations and other retailers to continually raise the bar for our industry as a whole.

## Target Sourcing Services

Target Sourcing Services (TSS) sources Target-brand merchandise from around the world. We directly import about 30 percent of the products sold at Target. We work 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 regulatory strength, production quality, social compliance, 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.

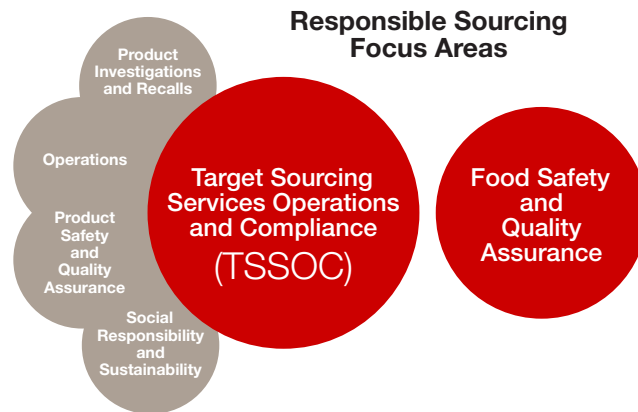
## Target Sourcing Services Operations and Compliance

Target Sourcing Services Operations and Compliance (TSSOC) is a division of TSS that partners with vendors to achieve outstanding quality for our Target-brand products. The TSSOC mission is to validate that our vendors operate efficient, safe and ethical factory environments that are capable of producing safe, reliable, high-quality products. Teams at headquarters focus on setting policy, creating procedures, administration and enforcement, while overseas teams execute these processes. TSSOC teams include social compliance and sustainability, product safety and quality assurance, product investigations and recalls, and operations. We also have a team that focuses exclusively on matters pertaining to our food business.



See a map of our global sourcing offices on [page 5](#).

Learn more about our Food Safety and Quality Assurance efforts on [page 58](#).



# Social Compliance

The social compliance team's mission is to ensure that our products are produced ethically and in accordance with local laws and Target's Standards of Vendor Engagement (SOVE).

Our SOVE includes eight business principles that form the basis of our social compliance program. 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 nongovernmental organizations (NGOs) that focus on social responsibility.

## Social Compliance Team

Social compliance team members are based at our Minneapolis headquarters and in field offices across Central America, Southeast Asia, India and China. Together, these teams engage directly with NGOs vendors and factories, working closely to achieve common goals and objectives.

Members of the field team conduct unannounced compliance audits and are experts in local laws.

The headquarters team is responsible for defining social compliance strategy and managing relationships with our vendors, elevating social compliance through education and collaboration, and encouraging proactive communication and transparency. They review social compliance audits, communicate the results, provide feedback on corrective action plans, and explain compliance standards. They also regularly evaluate and update our social compliance best practices.

## Standards of Vendor Engagement

- 1 Our vendors must work with factories that provide safe and healthy workplaces that comply with local laws. If these factories provide residential facilities for their workers, they must be safe, healthy and in compliance with local standards.
- 2 No forced or compulsory labor. We will not knowingly work with vendors who use forced labor in the manufacturing of products.
- 3 No physical or mental punishment used against employees.
- 4 We respect cultural differences and believe workers should be employed based on their abilities. We encourage vendors to eliminate workplace discrimination based on race, gender, personal characteristics or beliefs.
- 5 We seek vendors who work with factories that do not require a work week that exceeds local laws or business customs and who do not require a week of more than 48 hours, plus a maximum of 12 hours overtime, on a regularly scheduled basis. Workers shall have at least one in seven days off.
- 6 Fair wages and benefits must be provided in compliance with local laws; in addition, we encourage vendors to improve wages and benefits to address the basic needs of workers and their families.
- 7 No child labor, which we define as being below the local minimum working age or age 15, whichever is greater.
- 8 We seek vendors whose factories operate in compliance with environmental laws and who work to minimize their impact on their surroundings and global resources.

Learn more about vendor education on [page 48](#).

## 2012 Highlights

In 2012, we continued to build on our strong social compliance program with several meaningful initiatives. Guided by our goal to make continuous improvements in our supply chain, we accomplished numerous objectives that will lead to further improvements in labor conditions while also incorporating environmental sustainability into our program.

### Supply Chain Environmental Sustainability

In 2012, we expanded our team's responsibilities to include environmental sustainability, demonstrating Target's commitment to minimize the impact of our vendors' production around the world. Because we recognize that labor rights and community issues are closely tied to environmental sustainability, in 2013 we will build an even stronger alignment between our social compliance and sustainability efforts.

### Bangladesh Fire Safety Program

We continue to work with vendors and factories in Bangladesh to make work environments safer. In 2012, Target consolidated its Bangladesh factory base with vendors and factories committed to improving fire safety conditions. Working with these vendors and factories, we implemented an additional half-day audit focused on fire safety. In addition to our longstanding fire safety review, which includes checking fire exits, extinguishers, emergency lighting, alarms and fire safety programs, our half-day audit includes an assessment of worker and management fire safety teams, grievance programs, rooftop clearance, reviews of electrical testing documentation and other key safety measures. We also implemented advanced screening measures for all new factories and free fire safety training to all vendors and factories. We will continue to work with NGOs, industry associations, vendors and factories to drive stronger fire safety accountability.

### Vendor Training

In 2012, Target worked closely with many large vendors to help maintain our standards within their supply chains. We provided additional, targeted training, along with resources to help the vendors develop stronger social compliance programs. Once these vendors completed program enhancements, we reviewed their strategies and shadowed their social compliance teams to deliver additional feedback and refinement. As a result, most vendors we have worked with now have comprehensive social compliance programs in place that will significantly improve labor standards, reduce business risk, and improve performance. However, not all vendors moved successfully through this process and consequently, we ended our relationships with a number of vendors who were unable or unwilling to improve to meet our standards.

See what we're doing in our supply chain to responsibly source Target-brand products on [page 18](#).



## Sandblasting Ban

In 2012, Target worked closely with the Clean Clothes Campaign to ban sandblasted apparel from our supply chain. Sandblasting, a decades-old manufacturing process used to weather denim, has serious worker health implications. Even in factories with strong filtering systems, workers inhale the fine crystalline silica sand used in sandblasting, which can lead to an incurable lung disease called silicosis.

Looking ahead, we are enhancing our monitoring of denim finishing processes and choosing vendors who use responsible alternatives.

## California Anti-Trafficking

As detailed in the Labor and Human Rights section below, we continue to use our robust social compliance program to ensure there is no forced labor in our supply chain. In alignment with the requirements outlined in the California Transparency in Supply Chains Act (SB657), Target implemented advanced training on these subjects for headquarters and overseas sourcing teams.

## Sustainable Apparel Coalition (SAC) Participation

Target continued to work with the SAC to develop tools to drive supply chain improvements related to labor and the environment. We are a founding member of this industry-wide group of apparel and footwear brands, retailers, suppliers, nonprofits and NGOs working together to reduce the worldwide environmental and social impact of apparel and footwear production.

On the labor front, Target began piloting the SAC's Social/Labor Assessment in late 2012. This dynamic tool, which adapts to changing labor conditions and expectations, will help our vendors and factories better evaluate their social compliance programs and improve these programs over time.

## Better Work Partnership

We continue to expand our relationship with Better Work (BW), a partnership between the International Labour Organization and the International Finance Corporation. BW aims to improve both compliance with labor standards and competitiveness in global supply chains, providing country-specific programs in seven countries and advanced monitoring and advisory services to factories. In these seven countries, Target uses the results of this program in place of our own audits. Leveraging our BW relationship helps us build partnerships with local governments while also reducing audit fatigue and cost to vendors by leveraging one comprehensive audit with consistent standards for all member brands.

We have expanded our partnership to include Indonesia, Jordan and Nicaragua, in addition to our existing work with BW in Cambodia and Vietnam. As we expand, we will more closely engage with BW to align our strategies to drive substantial improvements in labor standards.



In 2012, we banned sandblasted apparel and are working with vendors who use responsible alternatives to achieve the same look.



## Challenges

While we continued to make significant progress in 2012, we face several significant and persistent challenges. Two of our most significant challenges include traceability and unauthorized subcontracting.

### Traceability

A long-term challenge for the retail industry is tracking the origin of all product components. In some cases, this requires looking several layers into the supply chain to understand how raw materials are produced and/or harvested.

This challenge was brought to the forefront in 2012 with the Conflict Minerals Rule under the Dodd-Frank Wall Street Reform and Consumer Protection Act. The Conflict Minerals rule will require many businesses to track the origin of certain minerals used in products that could be sourced from conflict zones, particularly the Democratic Republic of Congo. Target is actively working to understand what products could be covered by the rule and how to ensure compliance. We see the Conflict Minerals work as something that will, in the long run, provide us with broader supply chain visibility into a wider range of products.

### Unauthorized Subcontracting

Unauthorized subcontracting of primary production is a significant issue for brands and retailers, and we are actively working to reduce this risk.

Our policy is that any subcontracting by factories or vendors should be communicated to Target to give us appropriate oversight of the standards in the subcontracted factory. Subcontracting is not always properly reported. Target has longstanding practices in place that help us identify unreported subcontracting by evaluating production capacity and production records versus planned production.

In 2013, we will pilot advanced procedures for investigating unreported subcontracting. We also will increase penalties for vendors and factories that subcontract without notifying Target. Finally, we will continue to encourage vendors to be open with us and to proactively communicate any challenges that would require the support of additional factories.



## Looking Ahead

Over the coming years, our program will continue to focus on proactive engagement on critical issues and addressing the root causes of supply chain challenges.

As our program evolves, so does the industry. There is a new willingness for companies and organizations to work together to provide a consistent message to our vendors and to workers around the world. We believe this will not only maximize the effectiveness of our program, but also will make it more efficient.

We believe that technology will help us transform our program. Tools are being developed that will allow retailers, brands and other stakeholders to share information about vendors and factories. Traceability technologies will enable us to better understand the depth and breadth of our supply chain. Social media, email and mobile phones provide a stronger voice for workers. It will be important for us to incorporate these tools into our program to continue to reduce risk for workers and for Target.

## 2013 Priorities

We have identified seven priorities that will help us achieve our objectives in 2013 and beyond:

### 1. Proactive Vendor and Factory Engagement

We will continue to provide tools to help vendors and factories meet our standards. Our emphasis is on ongoing communication with vendors and factory management before production begins and ongoing vendor education and training. This includes encouraging vendors to publicly report on their social and environmental performance using an international standard such as the Global Reporting Initiative (GRI) or Higg Index.

### 2. Vendor Accountability

We know direct engagement and training with factories and vendors will lead to stronger compliance programs. We expect our factories and vendors to be accountable to quickly and properly address emerging issues. In addition, we expect to see continued improvement over time. We will continue our policy of not working with vendors who show minimal commitment to improvement.

### 3. Sourcing Alignment

We will continue to strengthen alignment with the work of our internal sourcing teams by providing detailed and timely information on vendor and factory performance to drive risk-based decisions and to incentivize improvements.

#### **4. Stakeholder Collaboration**

As part of our ongoing stakeholder engagement efforts, we have identified several organizations with expertise across many social, labor and environmental topics with which we will engage. This will help us address specific challenges and inform our long-term strategy. In addition, we will engage more directly with governmental organizations to advocate for stronger government oversight of labor conditions in countries of production. We also will continue to partner with NGOs on special projects to improve the effectiveness of our social compliance program and assess opportunities for additional meaningful engagement.

#### **5. Industry Collaboration**

Target will continue to work with the Sustainable Apparel Coalition to develop industry tools that support our program and drive industry-wide improvements. Along with this work, we will actively seek the partnership of other brands and retailers who share our values and who have developed strong programs of their own. Through these partnerships, we will share information about factories and vendors to drive effectiveness and efficiency.

#### **6. Standards of Vendor Engagement**

We're in the process of adding one new standard and two new supplemental statements to our [Standards of Vendor Engagement \(SOVE\)](#) to further mitigate risk and promote a responsible supply chain. The two new statements are supplemental to the SOVE and will appear below the nine standards. They further address the topics of environmental sustainability, conflict of interest and integrity.

#### **7. Internal Expertise**

To accomplish our objectives, we will need to continue to strengthen our team, deepening our understanding of region, country and industry-specific challenges. This will enable our program to anticipate and proactively address emerging challenges.

## Social Compliance Audit Process

### Registration

All vendors and factories who produce Target-brand products must participate in the social compliance program. They must register all applicable facilities with our social compliance team, indicating the locations of facilities and where Target-brand production will take place, as well as authorize unannounced compliance audits for every facility they register. If Target has previously audited a facility, we ensure that any previous violations have been corrected.

As of FYE 2012,  
we source Target-branded  
products from more than  
**1,050 vendors**  
who work with more than  
**3,500 registered  
factories**  
in more than  
**50 countries**

### Registered Factories



### Facility Audit Selection Process

Target audits factories where Target-brand products are manufactured. We have developed a model that stratifies social compliance risk by country. We also have created a system that forecasts our monthly audit plan to mitigate risk. The forecast system automatically identifies facilities to audit, considering factors like risk, registration status and date of last audit, and allocates eligible facilities to our audit resources.

## Unannounced Audit Process

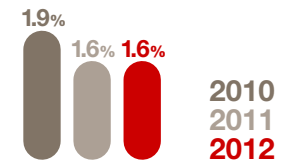
Our audit process includes 100 percent unannounced audits. We use our own audit forms and tools and, for most audits, our own auditors, who complete robust training in our standards and audit processes. In countries where we use a third-party auditor, we train and require them to use our processes and tools. In the countries where Better Works provides advanced monitoring and advisory services to factories, Target uses the results of this program in place of our own audits.

An unannounced visit consists of a meeting with facility management to explain the purpose of the visit and collect documentation, a robust tour of the facility, and interviews with management and a selection of employees to determine working conditions, treatment of workers and the hiring process. The auditor also reviews personnel, wage and time records to verify that the facility meets local labor law requirements. At the end of the visit, the auditor explains any violations and discusses corrective actions and next steps.

A facility is allowed up to 20 minutes after the auditor arrives to begin the audit. If the audit does not begin within this timeframe, the auditor will leave, and Target will consider it a denied audit.



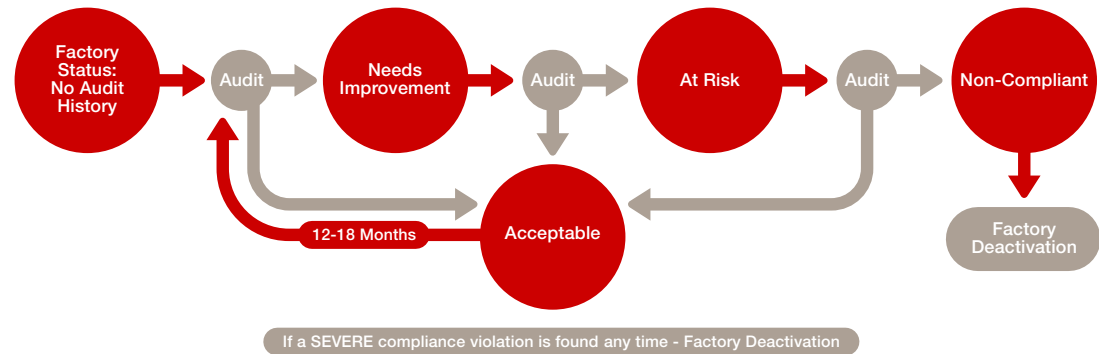
### Denied Audits



## Audit Results

Target's social compliance team reviews every audit and determines the final result based on the violations identified. We use an internal rating scale that categorizes violations as Non-Critical, Critical and Severe. Audit results are categorized as Acceptable, Needs Improvement, At-Risk and Non-Compliant. An audit is "Acceptable" if no violations or very few Non-Critical violations are identified. "Needs Improvement" or "At-Risk" audits result from a combination of Non-Critical and Critical violations such as health and safety, payment of wages, excessive working hours and record-keeping violations. Non-Compliant audits are detailed below.

## Social Compliance Audit Cycle



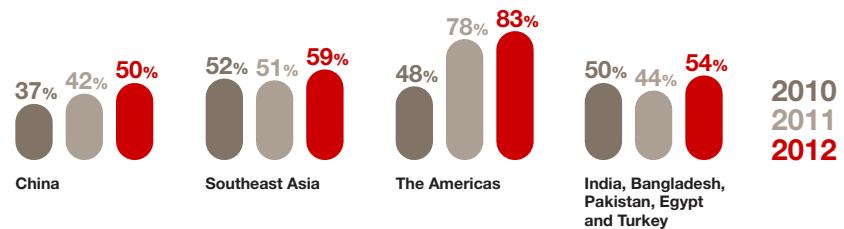
## Non-Compliant Facilities

Target recognizes two types of Non-Compliant facilities: One-Year Non-Compliant and Zero Tolerance.

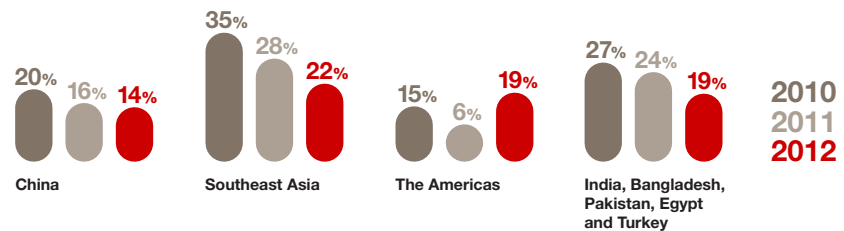
### One-Year Non-Compliant

During an audit round, a facility is allowed three opportunities to be found Acceptable. If it does not meet our standards after a maximum of three audits, we will deactivate the facility from producing Target product for at least one year. We also will deactivate a facility for at least one year when we identify more than 40 compliance violations during an audit or if the facility denies us access to an audit twice.

## Audits with "Acceptable" Results



## "Critical" Issues Identified



## Zero Tolerance

Target has a zero-tolerance policy on Severe violations. If we identify a Severe violation, we will terminate the business relationship immediately, will not accept product, and will not allow the facility to produce for Target for up to three years. Our process for identifying Severe violations includes in-depth tours, worker interviews and a detailed review of facility records, including personnel records, financial deposits and pay schedules. We also conduct interviews with workers and management to check for consistency between statements. Severe violations include child labor, forced labor, corporal punishment and conflict of interest, which we define as follows:

- **Child Labor:** A worker below the local minimum age, or the age of 15, whichever is greater. We do not allow any exceptions for permanent workers, contract workers, piece-rate workers, migrant workers, casual workers or temporary workers.
- **Forced Labor:** Prison workers or workers forced to work or bound to employment in order to fulfill a debt to a facility or a third party.
- **Corporal Punishment:** Condoning, creating or contributing to an intimidating, hostile or offensive work environment including physical or mental punishment against workers.
- **Conflict of Interest:** A facility's attempt to offer anything of value to Target team members or our representatives to influence the results of any audit or inspection.

Target will allow a vendor to use a previously Non-Compliant facility only after the deactivation period has passed if the vendor is able to demonstrate compliance with local laws and Target's standards and a formal reinstatement process is completed. This reinstatement process involves a review of the corrective actions that were applied at the factory and a subsequent audit of the factory to validate that the issues have been addressed. The factory must be found acceptable before the factory can be reinstated.

## Corrective Action Plan Management

We communicate the results of an audit to our vendors and require a detailed corrective action plan for Needs Improvement or At-Risk results. Our headquarters team has ongoing dialogue with the vendor on the status of the plan, including steps being taken, proposed timelines, accountability at the facility for ongoing monitoring, long-term stability plans, and evidence that the corrections have been implemented. An important part of this process is helping the vendor identify the root causes of violations so they don't recur. The collaboration we have with the vendors helps to ensure that we allow an appropriate remediation period before returning for a follow-up audit.

## Audits Resulting in Factory Deactivation



## **Social Compliance Operations**

### **Vendor Performance Analysis**

Target uses multiple data points to analyze the performance of our vendors, who are held accountable for compliance in the facilities that they use for Target production. Audit results are one of the metrics we use when assigning performance levels to vendors. These results reflect their risk level.

Patterns of Needs Improvement or At-Risk results, or any type of non-compliance, will result in a high-risk performance level. We publish a monthly Vendor Performance Report, which provides team members with the information they need to make educated sourcing decisions. Vendor Performance Overview (VPO) is an internal tool we created to provide an in-depth review and analysis of a vendor's performance across multiple areas of social compliance. The analysis includes a compilation of recent audit results, facility registration accuracy and the ability to provide complete and acceptable corrective action plans. The VPO score helps us to identify areas of opportunity for each vendor, which we discuss with them.

### **Vendor Probation and Termination Process**

If a vendor shows a pattern of producing product in facilities that do not meet our standards, they will be put on probation for up to one year. During that time, they will work closely with our headquarters social compliance team until they have elevated their internal program. During probation, we will monitor them closely and require that all audit results demonstrate facility compliance. If they are not able to consistently meet these requirements, we will remove them from our vendor matrix.

We also will terminate a relationship with a vendor or facility if they attempt to alter audit violations in any way, or if they mistreat our team members or representatives. Mistreatment includes, but is not limited to, behavior such as raising their voices in an inappropriate manner, threatening or causing physical or other type of harm, or preventing a team member or representative from leaving the facility.

## **Vendor Training and Education**

We provide a wide variety of social compliance training materials to vendors, including orientation at headquarters and overseas locations and web-based training programs, which include topics like preventing underage labor, human resources management systems, controlling working hours and health and safety management. Some materials are available in multiple languages. We are continually developing and updating training resources to educate our vendors and elevate their awareness.

### ***Self-Auditing Tools***

In addition to training resources, we give vendors access to tools on our vendor website to help them elevate their social compliance performance, including our full- and self-audit forms.

### ***Intensive Compliance, Education, Evaluation and Execution***

The Intensive Compliance, Education, Evaluation and Execution program is for a limited number of vendors to improve their audit results. The program is designed to enhance their social compliance programs and educate them on auditing best practices. These select vendors work in partnership with Target's social compliance team, which reviews their programs and processes and conducts shadow audits and training. We also provide them with access to our auditing tools and manuals and visibility of their full audit results. The goal of the program is to achieve sustainable improvements in compliance and working conditions.

## **Labor And Human Rights**

### **Hiring Practices**

Inadequate hiring practices are one of the most common challenges we see. When facilities do not have a formal hiring process, they are at higher risk of using unethical practices. We expect all facilities to have a human resources department and to enforce a policy that no candidate can be hired until approved by human resources. We do not allow exceptions, including those for temporary and contract workers. During our audit, we review personnel records and discuss the hiring process with management. We verify that they have a formal procedure in place that includes reviewing age documentation and eliminating high-risk candidates. We also make sure that they keep standard personnel files for all workers where information is readily available. If a facility does not meet these requirements, the auditor will review them with facility management and our headquarters team will communicate with the vendor. A follow-up audit is required to ensure that a formal process has been implemented.



## **Forced Labor and The California Transparency in Supply Chains Act**

We identify risk of forced labor through our unannounced audit process and our audit history. We also closely monitor and collaborate with NGOs and other brands to identify and mitigate this risk. This topic is specifically covered in the training we provide internally and externally to all vendors in our program. If we find forced labor at any facility, we immediately deactivate the facility and do not accept any merchandise in production. We have taken a strong, public stance prohibiting the use of cotton produced in Uzbekistan, where it is public knowledge that forced labor is used in cotton production. We have a heightened awareness in the Middle East, where there are labor challenges related to migrant workers.

The California Transparency in Supply Chains Act of 2012 went into effect Jan. 1, 2012. Under this law, large manufacturers and retailers are required to disclose their efforts to eradicate slavery and human trafficking within their supply chains. The law's underlying purpose is to educate consumers so that they can make informed decisions and purchase goods from companies that responsibly manage their supply chain. Target's SOVE explicitly addresses these violations by stating zero tolerance for forced or compulsory labor.

Our other efforts include:

- Requiring vendors to register all facilities that they use to produce our merchandise.
- Requiring all Target-brand vendors to complete a human rights and compliance assessment as part of registration. If a vendor wants to use a supplier that has known audit issues, we require a completed corrective action plan to remediate issues before allowing production to take place.
- Requiring vendors to complete certification, which includes instruction on our Zero-Tolerance policy.
- Conducting random, unannounced audits at facilities producing Target-brand merchandise.
- Providing mandatory training for all Target team members with supply-chain management responsibilities – social compliance, overseas and select TSS team members – with an emphasis on strong social-compliance management practices.

## **Underage Labor**

Target's SOVE explicitly articulates our zero-tolerance policy for underage labor. We identify risk of underage labor through our unannounced audit process and our audit history. As part of an audit, we perform in-depth records and personnel file reviews and conduct employee interviews. This topic is covered in the training we provide internally and externally to all vendors in our program. Online training also is available on this topic. If we find underage labor at any facility, we immediately deactivate the facility and do not accept any merchandise in production. However, we also are partnering with Better Work to systematically address underage labor and remediate cases of underage labor when found. Underage labor does not seem to have a correlation to specific categories of production.

## **Migrant Labor**

We expect all workers, including imported and migrant workers, to be provided wages, benefits and working conditions that are fair and in accordance with local law. We do not condone holding workers' passports to keep them from leaving, charging any type of fee or deposit for employment, or any other unfair practice. We review these policies in detail during our audit process and expect our vendors to share these views and comply.

## **Discipline**

Target will not knowingly work with vendors or factories who use physical or mental punishment against their workers. Our auditors conduct multiple checks to ensure these practices are not occurring in the facilities, including interviews with employees about working conditions and disciplinary actions. If we identify corporal punishment, we consider it a zero-tolerance violation.

## **Discrimination**

We respect cultural differences and believe decisions concerning hiring, advancement, disciplinary action or dismissal should be based on a worker's abilities rather than his or her race, gender, personal characteristics or beliefs, and we encourage our vendors to eliminate discrimination in their workplaces. We also prohibit the use of pregnancy testing as a condition of employment or to terminate employment.

## **Working Hours and Time Off**

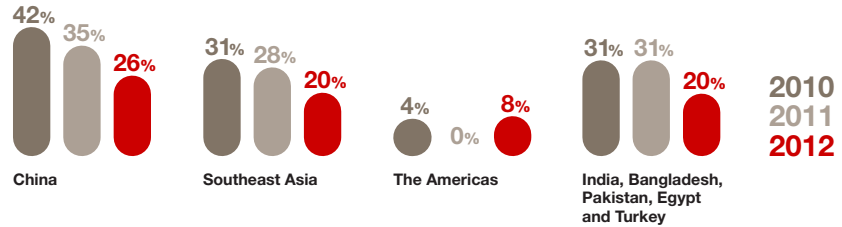
Target expects a 60-hour maximum work week, including overtime, in all facilities—a guideline we adopted from the ILO. If local law differs, a facility must follow the stricter requirement. We also expect workers to receive a minimum of one full rest day after six consecutive work days. All facilities must use a mechanical or electronic time-keeping system to ensure time cards are accurate and completed by the employees themselves. During an unannounced audit, we review the two most recent pay-period records, cross-checking time cards and payroll documents to make sure they are accurate and in accordance with local law and Target standards. If we identify violations, we consider them critical and either will return for a re-audit or deactivate the facility for non-compliance, depending on where the audit is in the audit cycle.

Excessive working hours is still a widespread practice in many parts of the world. Workers often comply in order to make higher wages but are not paid legal wages for the regular hours that they work. Many factors lead to excessive working hours, including company purchasing decisions that impact production deadlines. To reduce the risk of occurrences, Target provides training to our team members who make sourcing decisions. We also offer extensive training for our vendors on working-hour reduction and management, and we expect them to communicate production challenges so that we can partner on a solution. We consider working-hour violations critical. If a facility is not able to meet local law and our requirements, we will deactivate the facility for a minimum of one year.

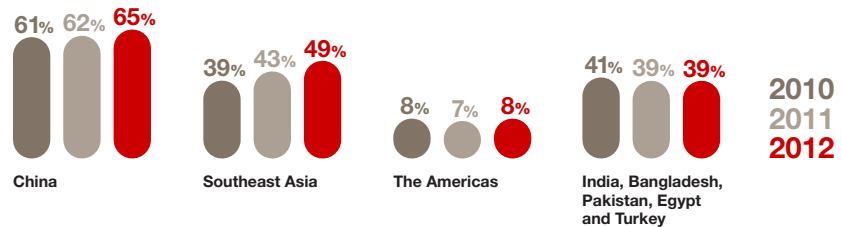
### Payment of Wages

Target has a firm stance on the payment of wages and we will not knowingly work with factories or vendors who do not follow local law and our standards. During an audit, we do a thorough review of time card and payroll records to ensure workers were paid legal wages for all the hours they worked, including regular, overtime, holiday and vacation wages. During an audit, in addition to discussing wage policy with management, we make sure employees understand their wages, benefits and deductions. We also make sure they have access to their own records to verify their hours and wages, and that they know with whom to discuss discrepancies. We consider wage violations critical. If they do not meet our requirements and local law, we will deactivate the facility for a minimum of one year.

### Audits with Working Hours and Time Off Issues



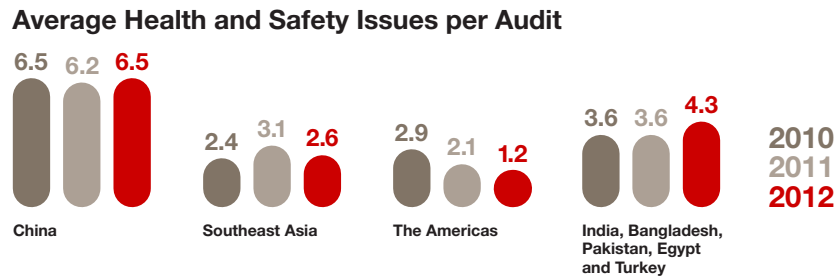
### Audits with Wage Issues



## Facility and Dormitory Review

Health and safety violations have been an ongoing challenge and a major focus of our audit process. We conduct an in-depth review of a facility's health and safety practices across all buildings, reviewing everything from fire safety equipment and preparedness to worker safety, such as clean facilities, the availability of personal protective equipment, chemical safety and employee training. An auditor will identify any violations during his or her tour and explain procedures for making and sustaining corrections. The auditor also will review health and safety training records and ensure that a facility has a schedule to provide regular training.

Target emphasizes the importance of having measures in place to ensure that factory workers know what to do in an emergency, as well as policies and procedures to prevent emergencies. We provide our vendors with a variety of training materials, many in multiple languages, to educate them on the importance of being proactive and making safety a priority.



## Sandblasting

In view of health concerns related to the use of sandblasting in garment processing, we conducted a study on its use and available alternatives. After thorough evaluation, we have banned the use of sandblasting on all future Target-brand apparel.

Learn more about our work to eliminate this practice on [page 39](#).

## **Conflict Minerals and No Dirty Gold**

Target is committed to sourcing products that contain diamonds, gold and other precious metals and gemstones only from vendors who engage in responsible mining practices and to the highest social, human rights and environmental standards. We support the efforts of Oxfam and Earthworks with the “No Dirty Gold” campaign and reinforce this commitment through vendor education efforts as part of our social compliance program.

In 2012, the Securities and Exchange Commission (SEC) established rules requiring companies to identify and disclose products that contain conflict minerals. The term is given to tin, tungsten, tantalum and gold that is mined in the Democratic Republic of Congo (DRC) and can be linked to the region’s brutal warfare. Target is committed to identifying where conflict minerals may be present in the products we sell and to removing them if found. That is why we communicated to our suppliers that Target will no longer accept any products that incorporate any gold, tantalum, tungsten or tin from the DRC unless these minerals can be certified as coming from a conflict-free smelter.

In order to meet this commitment, we have partnered with the Retail Industry Leaders Association (RILA) and Business for Social Responsibility (BSR) along with our peers in the industry to develop training materials specific to retail. We also have worked to expand the utility of a questionnaire developed by the Electronic Industry Citizenship Coalition and Global e-Sustainability Initiative to meet the reporting requirements of the SEC. Through industry alignment on training and resources, we believe that we can have a greater influence on eliminating conflict minerals in the global supply chain.

## **No Uzbek Cotton**

Based on global concerns that forced child labor is being used in the cotton fields of Uzbekistan, and our ongoing commitment to no child labor, Target will not accept products that contain Uzbek cotton. To the best of our knowledge, Target does not currently source any products from Uzbekistan, nor do we use Uzbek cotton in textiles used to manufacture products from other countries. In addition, Target does not knowingly buy or sell products that contain cotton sourced from any country that condones the use of forced child labor. We require that our vendors not use cotton sourced from any country with a known record of forced child labor in its cotton fields, including Uzbekistan. We have shared this position with the U.S. government, NGOs and other industry leaders who have approached us with related concerns.

# Product Safety and Quality Assurance

## Quality Assurance Processes and Tools

At Target, product safety is a top priority. We expect our vendors to ensure that a product's performance and safety meet our high standards before being sold in our stores or on Target.com. We also expect them to employ good manufacturing practices, including clearly defined and well-documented manufacturing and quality processes with adequate staff training and comprehensive record keeping. We validate that our Target-brand vendors operate efficient, safe, compliant and ethical factory environments that are capable of producing safe, reliable and quality products. We also require them to use periodic testing at third-party laboratories to validate their products meet the most stringent standards, placing special emphasis on children's products, including toys.

### Vendor Qualification Assessment

The Vendor Qualification Assessment (VQA) is given to all Target-brand vendors, and other vendors when they have product for which Target is the importer of record, in order to evaluate their knowledge of good manufacturing practices and applicable consumer product safety regulations. Questions assess areas such as production, raw material controls, process controls and record keeping.

### Factory Evaluations

Prior to producing Target-brand products, each factory must undergo an audit by the vendor to assess the factory's controls, systems, processes and manufacturing capabilities. Those results are then validated by a Target manufacturing technician or an independent third party. All factories producing Target-brand products are evaluated every year, and any factory that is new to Target will undergo an evaluation before it can begin production for Target.

### Pre-Production Meetings

Target holds pre-production meetings at the manufacturing location for all Target-brand products to verify that the vendor and factory manufacture to Target's requirements. Vendors must prepare all production planning information, sample approvals and a production and quality plan – including a schedule of all internal testing and inspections – for review by Target team members to validate production readiness. Any issues are escalated to our headquarters office for resolution before production begins.



## Product Testing

Target's multi-stage testing process was created so that Target-brand products are tested throughout the entire production run. This can include analytical tests, performance tests, labeling reviews and flammability tests. The intent is to identify potential issues before or early in production and continually monitor quality throughout shipments.

Once production begins, Target team members select and seal samples of Target-brand products for vendors to submit for testing to a third-party laboratory to validate that they meet or exceed safety and regulatory requirements and Target's own strict end-use performance standards.

## Product Inspections

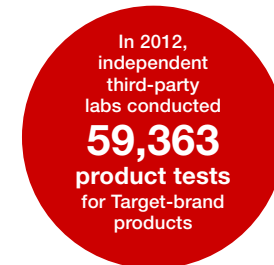
Target requires vendors to conduct product inspections to ensure that Target-brand products meet our guests' expectations. This includes visual evaluations for aesthetic appearance, color and shade accuracy, workmanship, product specifications, measurements, adequate packaging and all necessary labeling. We also conduct our own inspections – performed by Target team members – to further validate the quality of Target-brand products. If a significant number of defects are discovered at inspection, shipments can be halted at Target's request so product can be re-worked or replaced.

## Field Assessment Tool

Our Field Assessment Tool is an IT application system that serves as a data collection and analysis tool for product inspections, factory evaluations and social compliance audits. This data is used to provide feedback on vendor performance.

## Training and Documentation

Training and documentation for all quality assurance requirements are available to Target-brand vendors through Partners Online, an external Target website dedicated to communicating timely, critical information and direction.



## **Product Safety and Quality Assurance Team**

Product Safety and Quality Assurance team members are based in several field offices and at our Minneapolis headquarters. The headquarters team is focused on Target safety, compliance, and quality policies and program definition. They also educate and collaborate with Target-brand vendors, with whom proactive communication and transparency is encouraged. The team reviews and provides feedback on factory evaluations, inspections and product-testing corrective-action plans. They also educate Target-brand vendors on our expectations for product-safety and quality standards.

While vendors are ultimately responsible for product quality and compliance, Target's goal is always to leverage our expertise to work with Target-brand vendors to elevate their programs. We employ our own team members in the countries of production to give Target more oversight and visibility into Target-brand products and validate the good manufacturing practices of our vendors and factories.

## **2012 Highlights**

In anticipation of the new Consumer Product Safety Improvement Act (CPSIA) rules for testing and certification that went into effect in February 2013, Target enhanced its quality assurance systems and oversight of factories and vendors to validate that they are capable of and are successfully issuing valid compliance certifications. Team members trained business partners on Target's processes for CPSIA requirements.

In addition, the Target Vendor Qualification Assessment (VQA) was revamped for all vendors to assess their quality processes and regulatory programs in light of Target's expectations to meet all regulatory requirements and Target standards.

## **Challenges**

With the growing number of states in the U.S. implementing their own regulations, particularly in the areas of green chemistry and chemical management, Target (and other retailers) will face a more complex and potentially inconsistent regulatory environment. This will place additional burden in terms of compliance costs and resources, as well as add to uncertainty in the regulatory environment.



# Product Investigations and Recalls

Our guests trust us to provide safe products. That is why, in addition to enforcing product testing and safety standards with our vendors, we monitor guest feedback to address guest concerns. In some instances, this may mean removing products that do not meet our guests' expectations for quality or safety from our stores and Target.com. We also report safety incidents to the Consumer Product Safety Commission (CPSC) in accordance with applicable law. If the CPSC issues a recall for a product carried at Target, we work with them to remove the product from stores, and provide information about the recall to our guests.

Any recalled products are immediately locked across our entire system to ensure non-compliant products cannot be sold to guests. We provide guests up-to-date recall information through our in-store kiosks and Target.com and notify, by phone, any guests who used their REDcard to purchase a recalled product. Recall postings include direct links to agency websites for up-to-date and detailed information on the recalled item.

In 2012, we continued to focus on proactive consumer safety awareness, such as our partnership with the CPSC on their Safe Sleep campaign during Safe Sleep Month in September. During this campaign, we partnered with the CPSC to answer guest questions about safe sleep for infants through Facebook and Twitter.

# Food Safety and Quality Assurance

## Process and Tools

Target's Food Safety and Quality Assurance (FSQA) team – located in the U.S., Canada, China, Thailand and Guatemala – is dedicated to protecting guests, public health and Target brands by assessing and ensuring compliance of the more than 800 vendor facilities that produce Target-brand foods such as Archer Farms and Market Pantry products. The team ensures that vendors have appropriate programs in place to produce safe high-quality products that are compliant with regulations and Target's food safety and nutrition and labeling standards.

## Vendor Assessment and Qualification

The FSQA team uses a scientific, risk-based, preventive approach to assess vendors to ensure that appropriate food safety and quality programs and capabilities are in place before production begins for Target.

All facilities that produce Target-brand food for Target are accountable to several regulatory and Target food safety and quality standards, including but not limited to:

- Global Food Safety Initiative certification, a comprehensive, globally recognized food safety program and standards used to evaluate a manufacturing facility's programs and capabilities. Target has required this certification since 2009.
- Preventative Food Safety Plan
- Environmental Monitoring Program for Pathogen Control
- Allergen Management Program
- Product traceability (open date code/lot traceability programs)

## Ongoing Monitoring

Once we establish business partnerships with vendors, Target continually monitors product safety and quality through the following assessments: on-site production evaluations, product quality reviews of products in the marketplace, and guest feedback.

## **Nutrition, Labeling and Regulatory Compliance**

Target's Nutrition, Labeling and Regulatory Compliance team ensures that Target-brand food label information is compliant with federal and state labeling regulations. They provide guidance to ensure that claims, including nutrition claims, such as "contains 100 percent whole grains," and product names are correctly and consistently applied across all Target-brand products. This team also reviews food-related advertising claims to ensure that guests receive a fair representation of the product and that Target meets labeling regulations. And they monitor the regulatory environment and nutrition trends to assess potential business impact and provide appropriate internal guidance.

## **Food Recalls**

In the event of a food recall, including pet food, we take prompt action to alert our stores to remove recalled items from our shelves. Any recalled products are immediately locked across our entire system at the cash register to ensure that they cannot be sold to guests.

We provide guests up-to-date recall information through in-store kiosks and on Target.com. Recall postings include direct links to agency websites such as the Food and Drug Administration (FDA) for up-to-date and detailed information on the recalled item.

## **Looking Ahead**

The FSQA team will continue to collaborate with merchants, product development teams and industry and trade associations to proactively address upcoming industry and regulatory needs, such as the forthcoming regulations that are part of the FDA Food Safety Modernization Act. They'll also be focused on staying informed of and leveraging advancements in food safety, quality, and health and wellness trends to maximize product offerings and value for our guests.

# Supplier Diversity

## Overview

The mission of the Supplier Diversity team is to work with all areas of the business to connect internal sourcing teams with qualified diverse-owned businesses positioned to deliver strategic business solutions, create competition and drive innovation for Target.

We partner with more than 1,000 ethnic minority, woman, veteran and LGBT-owned businesses in areas of direct and indirect procurement, resulting in an annual diverse spend of more than \$1 billion. These U.S.-based suppliers have been certified by recognized national certification organizations as being at least 51 percent diverse owned and operated, or have self-identified as diverse.

## 2012 Highlights

In 2012, as we opened our headquarters location in Canada in preparation for our first store openings there in 2013, we strengthened relationships with the Canadian Aboriginal and Minority Supplier Council and WEConnect Canada by engaging their diverse supplier constituencies in education sessions.

For the second year in a row, the Women's Business Enterprise National Council (WBENC) named Target one of America's Top Corporations for Women's Business Enterprises, the only national award honoring corporations that drive innovation and develop world-class programs to help women entrepreneurs succeed.

Additionally, we were once again recognized by the United States Hispanic Chamber of Commerce as a 2012 Million Dollar Club member. This award identifies corporations that integrate Hispanic Business Enterprises into their strategic sourcing and procurement process.

## Looking Ahead

In 2013, we will co-chair the WBENC annual National Conference & Business Fair, which will be held in Minneapolis. We're also focused on upgrading our reporting capabilities and implementing a metrics-driven approach to support our strategy. Our goal is to increase our annual diverse spend by 3 percent, driven through a goal to include a diverse supplier in 15 percent of Target's bids for indirect goods and services. We will continue to integrate new products and suppliers into our merchandise assortment to meet the needs of our diverse guests.





## A Great Place to Work



# Team Member Well-being

## A Culture of Well-being

We have a longstanding commitment to building strong, healthy, safe communities, and we believe that commitment starts with our team. That's why we provide the tools, resources and encouragement our team members need to lead a healthy, balanced lifestyle and make healthy choices.

At Target, well-being goes far beyond exercise and a healthy diet. It's about the quality of the most important parts of life: health, career satisfaction, social relationships, financial security and connections to our community. When these elements are in balance, people feel and perform their best. Our team members' individual approaches contribute to the strength of our total company and form the basis of our "Be You. Be Target." philosophy.

We've partnered with Gallup Corporation – a leader in global well-being research – to create a workplace atmosphere that supports personal well-being. We identified team members' baseline opinions and attitudes toward well-being and, over time, have been able to study the progress of well-being and its impact on our business. Results of this research show that team members with higher perceptions of well-being are healthier, more engaged, have better work/life balance, volunteer more in their communities and are less likely to leave the company.

Throughout our research efforts, we've consistently seen that leaders, our dedicated well-being team and a grassroots network of well-being captains are central to driving our culture of well-being.

Our culture of well-being includes incentives to sustain or improve health. Our goal is for every team member to be their personal best because we know that when we are at our collective best, Target is a better place to work.



### **“Be You. Be Target.”**

We believe thriving team members create thriving communities. Our approach to well-being focuses on five elements – health, social, career, financial, and community – that collectively are known by our team members as “Be You. Be Target.”

By focusing on total well-being, we help team members and their families make healthy, informed choices to reach their personal best. In addition to benefiting individuals, these choices contribute to the health of our company and our communities.

The following are just a few examples of the tools, resources and encouragement that we provide to help our team members make informed decisions and healthier choices that help them become their personal best.

### **Well-being Captains**

We know that personal well-being is not the same for everyone. To help team members achieve their personal goals, well-being captains educate and inspire our team to embrace well-being in fun and creative ways, from planning health-themed competitions and activities to volunteer efforts and success celebrations.

Our network of more than 3,000 well-being captains – selected by their leaders – is supported by a thorough training program and a regularly updated set of tools and resources. Captains are regularly recognized for the positive contribution they make to our business through major company events and internal publications.



**BE YOU. BE** 

More than 3,000 well-being captains support team members in our stores, distribution centers and headquarters locations.

## Well-being Facilities

**Target Plaza Commons:** In 2012, we opened Target Plaza Commons in downtown Minneapolis, a space that serves as a wellness, business and recreational hub for headquarters team members.

The facility offers flexible meeting space, bike racks, lockers and showers, basketball and bocce courts, a life-size chessboard, a fire pit and lush green space for relaxing outdoors. In addition to a gaming and video area, the space also provides group fitness classes like yoga and kickboxing to encourage team members to be more active.

**Fitness Center at Target Campus West:** In 2012, we opened an on-site fitness center in our Target Campus West building, just a few miles from our downtown Minneapolis offices. The 24/7 facility includes cardiovascular equipment, weights and more, as well as group fitness classes like yoga, cycling and kickboxing.

**Health & Well-being Center:** This on-site health care clinic at our downtown Minneapolis headquarters opened in January 2013, along with a full-service Target Pharmacy®. Care is provided by a Park Nicollet team that includes a physician, physician assistants, a registered nurse and medical support staff. Target team members enjoy a full range of quality primary health care services, including comprehensive preventive care, treatment for acute illnesses and injuries and chronic condition management.



Our downtown Minneapolis headquarters features a full-service on-site Target Pharmacy® and Health & Well-being Center.

Target Plaza Commons is a wellness, business and recreational space for headquarters team members in downtown Minneapolis.

In the first four months that the on-site **Fitness Center** at Target Campus West was open, one-third of eligible team members became members

“ Our range of services is steadily growing – from taking care of a sore throat to conducting a pre-surgery physical or providing the everyday care that team members are looking for in a primary care physician,” Dr. Elise says. “And that’s only the start – we have additional services in the works. We’re trying to make things as simple as possible so you can take care of yourself and get back to your work and your life. ”

– Dr. Elise Larson, Health & Well-being Center lead physician



## Well-being Partnerships

Target leads or participates in a variety of partnerships that advance workplace health and well-being. We are a founding member of the Alliance to Make US Healthiest, a coalition focused on workplace health and employee health engagement.

We also are one of four organizations that piloted US Healthiest's HealthLead accreditation program—a comprehensive assessment of a company's employee well-being policies and practices—earning silver accreditation status.

## Total Well-being

We offer a 24-hour Team Member LifeResources program to connect team members and anyone in their household to resources for all aspects of well-being: health, financial, social, community and career. The program includes immediate access to clinicians with a master's degree, free counseling sessions, assistance with improving health regardless of fitness level, resources to hone work skills, budgeting support and referrals to community resources.

## Social and Community Well-being

Our focus on social and community well-being helps team members build strong relationships and community connections to help them enjoy life both inside and outside of work. These benefits include a variety of social clubs and diversity business councils that help team members connect quickly and authentically; Target-sponsored volunteer activities; volunteer councils; and community awards and grants to nonprofit organizations important to team members and our company.

## Career Well-being

Our learning and career development programs help team members feel challenged and fulfilled by the work they do. Our programs include a wide variety of professional and leadership development classes; structured mentoring; formal and informal recognition programs; diversity and inclusion business councils; and tuition-reimbursement.

## Changing the Way We Work

In 2012, we began an effort to collaborate more effectively, and become more nimble, adaptable, and efficient in our work. In 2013, we are making significant investments in new technologies and processes, both to support our core business systems as well as improve the productivity and performance of our team members. From mobile applications and devices to innovative collaboration tools, we're making it easier for team members to collaborate, no matter where they are.



## New Learning Platforms

In 2012, Target introduced two new learning platforms that provide a foundation for helping team members learn and build skills to do their job.

**My Development Site:** This internal website is connected to our Training and Development portal and provides professional development resources for team members that cater to a variety of learning styles through videos, articles, apps, classes and interactive tools. Team members can rate, share and clip their favorite development content to their own personal clipboard for future reference.

**Digital University:** DigitalU is an educational program that helps team members build and hone the skills needed to succeed in the rapidly changing retail and digital technology landscapes. Core to the program is continuous education, so students of all levels stay up to date in an ever-evolving digital world.

## Career Development Tools

Beyond learning, we provide the following career development opportunities for all team members.

**Leadership Expectations:** We have high expectations of leaders who engage, inspire and empower diverse teams and encourage individual team member development by providing experiences that support long-term career plans. Our Leadership Foundations and Expectations model lets every team member know what behaviors are needed to succeed at Target.

**Review Process:** Our review process ensures that leaders and team members meet regularly to discuss strengths and developmental opportunities. Most team members meet quarterly with their leaders to discuss business goals, performance, and development and career goals, and all team members participate in an annual performance review.

**Talent Planning:** In 2012, we integrated annual performance reviews into our talent management system, making it easier to connect talent information and team member work to our company's strategic priorities and long-range financial plan. Looking ahead, we plan to introduce a career-planning component in our online talent planning system that will enable team members to better understand the requirements of jobs across the company, select those that fit with their long-term career goals and plan development activities to acquire the skills they need to become eligible for new opportunities.



## Financial Well-being

Our financial benefits help team members make smart financial choices now and for the future. These include paid time off; national holidays; personal holidays; one of the best 401(k) plans in retail; daycare flexible spending accounts; childcare discounts; a group legal plan; life insurance; short and long-term disability insurance; commuter benefits; access to Target Credit Union and a 10 percent Target store discount.

### Increase use of Financial Tools

To help team members make smart financial choices, Target provides tools and resources on our online Pay & Benefits portal, including Financial Engines. Financial Engines is an independent company that provides savings and investment support services to participants in many 401(k) plans across the country.

Financial Engines offers two different services to participants in the Target 401(k). The Online Advice tool allows participants to get savings and investment advice at no additional cost via our Pay & Benefits portal. The Professional Management Program allows participants, for a fee, to have experts from Financial Engines manage their 401(k) investments on their behalf. This goal measures team member participation in either of the two Financial Engines services.

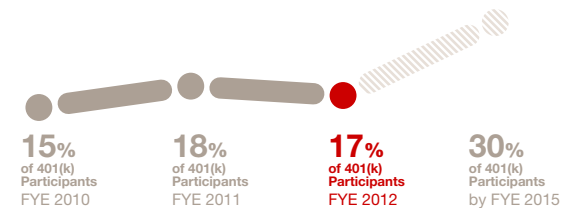
In 2012, 17 percent of participants in the Target 401(k) used Financial Engines, a rate that is, on average, significantly higher than average employee use among the other retailers who use Financial Engines. In 2012, we saw an increase in new participants who enrolled in the Professional Management Program, but this was offset by a drop in participants' use of the free online financial advice tool.

We're committed to increasing use of Financial Engines to reach our goal of 30 percent participation by FYE 2015. In 2013, we will increase Financial Engines communication on our Pay & Benefits portal and will continue our annual campaign highlighting Financial Engines services, with an emphasis on the free online advice feature to increase use.

### Increase Use of Financial Tools

NEEDS IMPROVEMENT

Increase the percentage of team members participating in the Target 401(k) who are using financial tools and resources provided by Target to 30 percent



## Health Well-being

Our health benefits are designed to encourage wellness, promote prevention, help team members better understand their health status and empower them to take action to get and stay healthier. They include robust medical, dental and pharmacy benefit plans that cover preventive care at 100 percent; access to a free nurse line service to assist team members with navigating the health care system; and discounts to support healthy living including gym membership fees and weight-loss programs. We also bring health and wellness resources directly to our team members through on-site events at store, distribution and head-quarters locations. These offerings include free on-site flu vaccinations and health well-being events, which encourage and reward team members and their spouses and domestic partners enrolled in a Target health plan for taking action via health assessments and, for team members enrolled in a Target-sponsored health plan, biometric screenings.

### Increase Health Assessments

We know that health assessments are critical in helping team members understand and improve their health. According to the International Association for Workplace Health Promotion, between 60 and 70 percent of adults improve their health after taking a health assessment.

In 2012, we redesigned our online health well-being portal to help make health assessments more intuitive and added health assessment computer labs to our annual health well-being events in all Target locations.

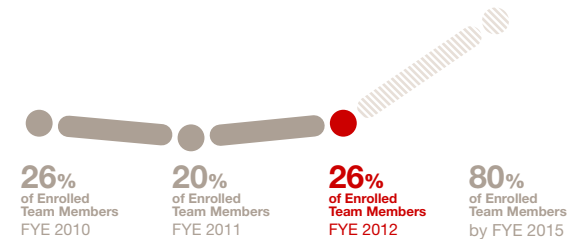
As a result, 26 percent of team members and their spouses and domestic partners who were enrolled in a Target health plan completed a health assessment in 2012, an increase over the 2011 completion rate of 20 percent but flat to our 2010 baseline. Despite this modest improvement we need to increase participation to meet our goal of an 80 percent completion rate by FYE 2015. Team member feedback will help us continue to refine and improve our delivery of this important program.

Looking ahead, we will continue to enhance our communication to team members by clarifying the value of health assessments. Additionally, we are reviewing new, best-in-class health assessments that provide thorough, evidence-based insights but require less time for individuals to complete. We also will continue to encourage team members to complete health assessments by offering meaningful rewards.

### Increase Health Assessments

NEEDS IMPROVEMENT

Increase the percentage of team members and spouses/domestic partners enrolled in a Target health plan completing a health assessment to 80 percent



## Increase Biometric Health Screenings

Biometric screenings are important because they provide a reliable baseline that team members need to identify their risk for preventable chronic diseases such as diabetes, heart disease and hypertension.

During our expanded on-site health well-being events in 2012, team members had more convenient access to biometric screenings at their work locations. By FYE 2012, 38 percent of team members and their spouses and domestic partners enrolled in a Target health plan completed a biometric screening, putting us on track to reach our goal for 80 percent completion rate by FYE 2015.

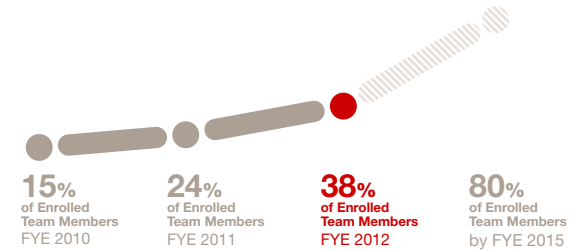
Team members have asked to invite their spouse or domestic partner to health well-being on-site events, so in 2013 we will offer enrolled spouses and domestic partners access to these events in all locations. We will continue to encourage team members to complete biometric screenings through meaningful rewards.



## Increase Biometric Health Screenings

ON TRACK

Increase the percentage of team members and spouses/domestic partners enrolled in a Target health plan completing a biometric screening to 80 percent



## Increase Breast Cancer Screenings

Many of the top risk factors leading to severe illness and premature death are preventable. When it comes to breast cancer, early detection through a breast cancer screening is one of the best forms of prevention.

In 2012, 55 percent of eligible team members and dependents enrolled in a Target health plan got a breast cancer screening. This was a slight decrease from our 2011 baseline of 57 percent, but we're on track to increase participation to reach our goal of 76 percent of eligible team members and dependents getting a screening by FYE 2015.

In 2012, Target performed a literature review and consulted national experts to identify proven breast cancer screening strategies, and worked internally to develop the right approach for our team. Through team member testimonials, we continued to communicate the importance of breast cancer screenings. We launched a video and print campaign highlighting a Target team member's breast cancer survival story. This was a first step in communicating the importance of breast cancer screenings and how it impacts our team.

Looking ahead, we will incorporate breast cancer self-exam and screening educational materials into our on-site health well-being events and partner with vendors to deliver more convenient access to breast cancer screenings across our team.

## Increase Cervical Cancer Screenings

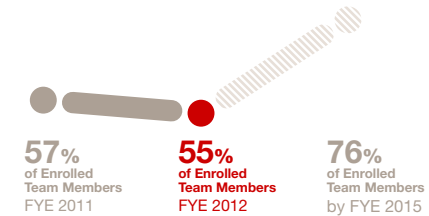
In 2012, 61 percent of eligible team members and dependents enrolled in a Target health plan got a cervical cancer screening. Although this was a slight decrease from our 2011 baseline of 65 percent, we're on track to reach our goal of 79 percent of eligible team members and dependents getting a screening by FYE 2015.

Based on additional capabilities that improve the accuracy of our measurement of screening rates, we've updated the FYE 2011 baseline metric that we previously reported. We continue to explore new initiatives and communication tactics that educate team members on the value of cervical cancer screenings.

## Increase Breast Cancer Screenings

ON TRACK

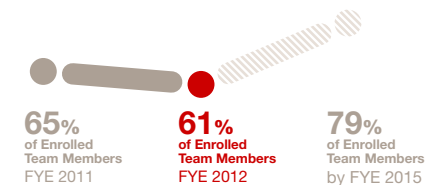
Increase the percentage of eligible team members and dependents enrolled in a Target health plan getting breast cancer screenings to 76 percent



## Increase Cervical Cancer Screenings

MODIFIED

Increase the percentage of eligible team members and dependents enrolled in a Target health plan getting cervical cancer screenings to 79 percent



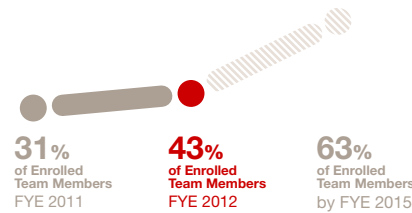
### Increase Colon Cancer Screenings

In 2012, 43 percent of eligible team members and dependents enrolled in a Target health plan got a colon cancer screening, an increase over our 2011 baseline of 31 percent, putting us on track to reach our goal of 63 percent of eligible team members and dependents getting a screening by FYE 2015. In 2012, we mailed a simple at-home kit to eligible team members to make testing more convenient. We plan to continue this campaign annually.

### Increase Colon Cancer Screenings

ON TRACK

Increase the percentage of eligible team members and dependents enrolled in a Target health plan getting colon cancer screenings to 63 percent



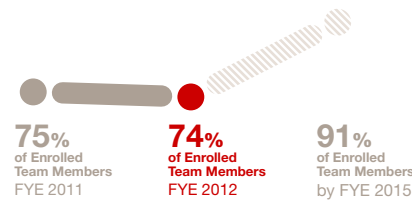
### Increase Diabetes HbA1c Testing

In 2012, 74 percent of eligible team members and dependents enrolled in a Target health plan were tested for diabetes. Although this was a slight decrease from our 2011 baseline of 75 percent, we're on track to reach our goal of 91 percent of eligible team members and dependents getting tested by FYE 2015. Looking forward, in 2013 we're partnering with third-party vendors to implement a diabetes prevention program that will help team members follow the appropriate care guidelines for their condition.

### Increase Diabetes HbA1c Testing Compliance

ON TRACK

Increase the percentage of eligible team members and dependents enrolled in a Target health plan getting diabetes testing to 91 percent



# Diversity and Inclusion

At Target, we believe that when we put our individual talents and perspectives together, we build a better experience for every guest.

“ Diversity and inclusion are not considered ‘nice to haves’ at Target. They matter to our team and our guests. And that affects the bottom line. ”

– Kim Strong,  
Vice President, Diversity and Inclusion



## All Together Target

To foster an inclusive culture, in 2012 we brought our culture to life by highlighting individual team member stories under the All Together Target banner.



[Watch](#) our team members share how the things that set us all apart are the very things that bring us all together.





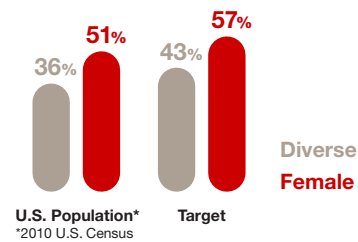
## Team Member Diversity

### Building a Diverse Team

Target recruits diverse team members by participating in and sponsoring conferences and career fairs hosted by organizations such as Management Leadership for Tomorrow, the National Society of Hispanic MBAs, the National Black MBA Association, Reaching Out MBA and National Association of Asian MBAs. We also partner with agencies and support numerous school and government programs to hire members of the military and people with disabilities. With in-store employment kiosks, we invite guests to become team members resulting in store teams that reflect our communities.



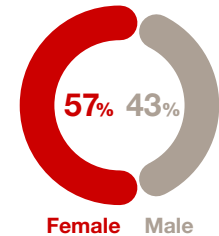
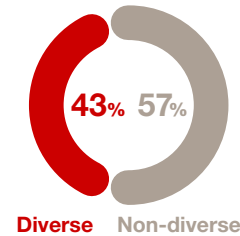
### Target Diversity vs. U.S. Population



### Total Target Workforce (U.S.)

Racial/Ethnic Diversity

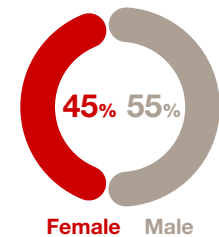
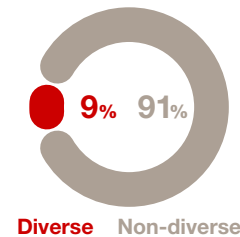
Gender Diversity



### Executive Committee

Racial/Ethnic Diversity

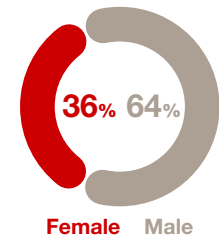
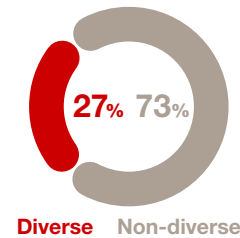
Gender Diversity



### Board of Directors

Racial/Ethnic Diversity

Gender Diversity



## Diversity and Inclusion Business Councils and Networks

Target offers more than 100 ways for our team members to make genuine connections through our six Diversity and Inclusion Business Councils and robust offering of networks. In 2012, more than 10,000 team members participated in our business councils and networks.

Our Diversity and Inclusion Business Councils comprise African American, Asian, Hispanic, LGBT, Military and Women. And our networks range across a spectrum of interests, including health & wellness (meditation, cycling), interests and hobbies (photography, international), life and family (adoption, mothers), professional (Toastmasters, presentation), and college alumni. They all support our mission to foster an inclusive culture by connecting team members to corporate initiatives and provide onboarding, networking and professional development opportunities. Additionally, business council members help inform business strategy by participating in advisory boards, surveys and focus groups on new product assortments, store prototypes, and marketing campaigns.



## 2012 Highlights

### Military Business Council

In 2012, our Military Service Network was formally established as a business council. Since its inception in 2008, this group of team members has made significant progress in improving pay and benefits for deployed team members, establishing important partnerships such as the National Guard, and launching programs to keep team members and their families connected during deployments.

### Women's Business Council

2012 marked the second anniversary of our Women's Business Council (WBC). With more than 2,000 team members, the council offers developmental forums, career tools and personal connections to support the engagement and retention of women at Target. It also advocates for initiatives that support its members' needs, like work/life balance. In 2012, the WBC hosted a Women's History Month celebration by holding development panels with senior leaders, volunteer events and a networking event. The council also hosted Target's first Women's Equality Day celebration by assembling a panel of women involved in state and local governments.

### LGBT

In 2012, the Lesbian/Gay/Bisexual/Transgender (LGBT) Business Council made an important addition to their name with the addition of "Ally" (now LGBT) to represent an increased focus on engaging allies. The council shared with team members what it means to be an ally by hosting brown bag lunches, panel discussions, Q&A sessions and guest speakers to educate and inform team members. One such speaker was Dr. David Hall, author of the book *Allies at Work*, which details the importance of allies in shaping workplace climate and helping establish an open dialogue to create workplace equality for all people. The council doubled its membership over the past two years.

Business councils receive funding to work with community partners and participate in volunteer events. Council members are currently involved in Habitat for Humanity, the Ronald McDonald House, Comunidades Latinas Unidas En Servicio, Dragon Boat Festival, Twin Cities Gay Men's Chorus, Quorum, Family Equality Council, Out and Equal, and the Maxwell School.

In 2013, we plan to further engage team members in our stores and distribution centers and we will launch a Women's Business Council at our India headquarters.

### **Authentic Connections and Cultural Competency**

Cultural competency is integrated into everyday life at Target, and we provide a suite of resources to encourage mutual understanding. The Link – a series of team activities designed to foster meaningful conversations – provides team members a way to learn more about one another and build stronger connections. Our online resource, Navigating Cultures, is a set of tools to help team members recognize the importance of culture in the workplace and how to navigate through differences to effectively manage interactions with others – whether working directly with one another or virtually with team members in other countries.

### **External Partnerships**

In 2012, we partnered with a variety of external stakeholders, including Diversity Best Practices, our partner in planning and hosting a diversity and inclusion event attended by members of Chicago-area businesses and non-profits to discuss "Healing and Strengthening a City Through Diversity & Inclusion."

We also became a legacy sponsor for the Hispanic Association on Corporate Responsibility's (HACR) Corporate Executives Forum, a three-year commitment to advance programming that provides senior Hispanic corporate executives and HACR corporate member companies with a forum to network and discuss business issues, challenges and solutions. In 2013, we'll deepen our relationship with HACR through sponsorship of the Corporate Directors Summit, Corporate Executives Forum, and HACR Symposium.

Target is a member of the Executive Leadership Council (ELC), an organization with a mission to build an inclusive leadership pipeline by developing African-American leaders. In 2013, we will sponsor the ELC's Mid-level Management Symposium, a series of six leadership workshops. Specifically, we will partner with the ELC to develop the workshops, identify African-American facilitators, provide materials, manage logistics and evaluate program effectiveness.



## Safety and Preparedness



## Overview

Target is committed to providing a safe, secure environment for our team members, guests and communities. Through store and community safety initiatives, disaster preparedness, response efforts, and public and private partnerships, we strive to make our stores and our neighborhoods safe places to shop and live.

## Store Safety

We take a multi-layered approach to safety and security, including technology, team member training, and partnerships with law enforcement. We believe that flexibility within our store designs, including security technology and staffing, gives us a distinct competitive advantage and helps us be better neighbors in our communities. Target also leverages merchandise protection strategies throughout the year that prevent theft while keeping items well stocked for our guests.

## Team Member Training

Target has a comprehensive training program that allows stores to adapt team member training – including security training – to the unique needs of the store and community.

## Technology

We use bright lighting and sophisticated surveillance systems in our stores and parking lots (signs alert guests and team members that cameras are in use), and mobile security in parking lots of select stores to provide increased visibility.

## Black Friday

During the 2012 holiday season, we provided a comprehensive crowd-control plan to all stores and security coverage in all parking lots prior to store opening. In some stores, we hired off-duty law enforcement officers and uniformed guard service, and used ticketing strategies to alleviate congestion around popular items.



## **Community Safety**

We have thousands of public safety partnerships across the country. We work with law enforcement, emergency management agencies and public health organizations at the federal, state and local level to improve the safety of our stores and the communities we serve by sharing information, resources and expertise.

### **International Association of Chiefs of Police**

As the world's largest police membership organization with more than 20,000 police professionals from more than 100 countries, the International Association of Chiefs of Police (IACP) serves as a leading voice for law enforcement. Target has partnered closely with the IACP over the past few years and leverages the organization to support law enforcement, understand issues in policing and impacts to retail, and promote safety in communities.

### **Overseas Security Advisory Council and Domestic Security Advisory Council**

Target has a close partnership with the Overseas Security Advisory Council (OSAC) and Domestic Security Advisory Council (DSAC) organizations of the U.S. Department of State. These organizations promote security cooperation between the public and private sectors by providing a platform to share information to address security issues domestically and abroad.

### **Aspen Security Forum**

Target sponsored The Aspen Institute's 2012 Annual Security Forum, an annual gathering of government officials, industry leaders, think tanks, journalists and citizens who meet to discuss critical questions about a wide variety of security issues, including homeland security and counterterrorism. Our participation encouraged the convening of public and private partners, as well as introduced new partners to our Target & BLUE® program and support of local law enforcement in establishing safer communities.

### **Police Executive Research Forum**

In 2012, Target hosted the “Future of Policing” forum led by the Police Executive Research Forum (PERF) and U.S. Department of Justice, Office of Community Oriented Policing (COPS Office). Through this event, emerging trends and future crime patterns were identified that would affect public safety, including issues that would affect Target’s operations.

### **National Law Enforcement Officers Memorial Fund**

Each year, Target partners with the National Law Enforcement Officers Memorial Fund (NLEOMF) to sponsor National Police Week activities honoring law enforcement officers who have lost their lives in the line of duty. In addition to sponsoring a variety of special events in Washington, D.C., and staffing the NLEOMF retail center, Target stores along the Police Unity Tour bike route served as rest stops, offering food, water and encouragement as riders made their way from New Jersey to the nation’s capital.

### **Association of Prosecuting Attorneys**

Target was honored with the Association of Prosecuting Attorneys’ 2012 Innovation in Community Engagement Award for Good Corporate Citizenship, in recognition of our ongoing partnerships and contributions to community engagement and public safety.

### **Harvard National Preparedness Leadership Initiative**

Target serves on the National Advisory Board for the Harvard National Preparedness Leadership Initiative, focused on equipping local, state and nonprofit leaders across the nation with the skills required to effectively lead during crisis situations. Our support provides access to professional development opportunities for state and local and nonprofit partners looking to expand their leadership in the preparedness space.



Target volunteers provide water and snacks and offer support and encouragement at the 2012 Police Unity Tour, a bike ride that stretches from New Jersey to Washington, D.C., in memory of officers who lost their lives in the line of duty.

## Public Safety Grants

Since 1946, Target has given 5 percent of our income to the communities where we do business. Through this commitment, our Public Safety Grants provide funding to public safety and emergency management organizations to support their efforts to build strong, healthy and safe communities.

In 2012, we awarded more than 800 Public Safety Grants in four focus areas – crime prevention, training and education, youth programs and community preparedness – along with grants for national initiatives, totaling \$2.3 million.

## Forensic Labs

We operate two forensic labs in Las Vegas, Nev., and Minneapolis, Minn., accredited by the American Society of Crime Laboratory Directors/Laboratory Accreditation Board.

Specializing in computer forensics, audio and video analysis and latent fingerprints, the labs assist law enforcement agencies free of charge in violent felonies or special circumstance cases.

Approximately 30 percent of the work done by our labs in 2012 was unrelated to Target and offered at no cost to our law enforcement partners.

## Equipment Donation Program

Our equipment donation program provides gently used equipment, such as laptops, to law enforcement partners at no cost, helping them close their resource gap to help in their efforts to build stronger, safer, more vibrant communities.

## National Night Out

National Night Out events create safer and more secure communities by bringing public safety officials and local residents together. In 2012, we celebrated our 29th year of participation in the program by supporting more than 15,700 community celebrations nationwide where thousands of team members volunteered.

Learn more about the 5 percent we give to communities each week on [page 85](#).



2012 National Night Out



## Heroes and Helpers

Heroes and Helpers is an annual event that pairs public safety partners with community youth to purchase holiday gifts for themselves and their families. In 2012, approximately 200 Target stores across the country hosted shopping events for nearly 6,000 youth.

## National Preparedness Month

In September, Target celebrated National Preparedness Month by holding events in 13 cities, donating more than 3,500 preparedness kits to families. We partnered with 10 local Offices of Emergency Management to plan and host the events.

We also partnered with the Points of Light Network to support the Good & Ready campaign, a coordinated effort to mobilize millions of Americans to help prepare for disasters by encouraging individuals and families to create emergency plans, build preparedness kits and get trained in emergency response. The campaign was developed in partnership with the American Red Cross, Federal Alliance for Safe Homes, and Ready.gov. We hosted four community preparedness service events in four cities, reaching thousands of people with critical preparedness resources and information.



2012 Heroes & Helpers



2012 National Preparedness Month

## Looking Ahead

As we expand to Canada, we look to develop public safety partnerships and programs that not only enable global growth for Target but promote strong communities. In Canada, we're meeting with public safety officials and starting to build those partnerships. We're also forging partnerships across the globe where we have sourcing offices and in India where we operate another headquarters location.

## Disaster Preparedness and Response

We support disaster preparedness, relief and recovery efforts through partnerships with national emergency management organizations such as the Federal Emergency Management Agency (FEMA), city and state emergency managers, and relief organizations such as the American Red Cross.

### Corporate Command Centers

Target has an extensive crisis management framework, including two Corporate Command Centers – in Minneapolis and Bangalore, India – that operate seven days a week, monitoring events around the globe that could impact our guests and team members. The centers keep in close contact with teams across the company so that we can prepare for and respond quickly to almost any situation. The Minneapolis command center is staffed 24 hours a day, while the Bangalore location operates 16 hours a day.



In 2012, we opened C3i, our international Corporate Command Center in Bangalore, India.



Target provided more than \$1.2 million to support communities impacted by a disaster in 2012.

### **Hurricane Preparedness and Response**

When **Hurricane Sandy** struck the East coast in October 2012, 265 Target facilities were in the path of the 1,100-mile wide storm. Supported by our extensive crisis management framework, including our 24-hour Corporate Command Center, we were able to plan ahead to protect our team members and guests by closing 196 facilities before the storm made landfall. For the first time, we used Twitter, Facebook and our corporate site to share tips on hurricane preparedness, shelter information and store closures, reaching thousands of guests and team members before the storm hit. Local media also directed readers to information on our corporate site. All but one store reopened within 72 hours of the storm, providing our guests a welcome source for food, water and other necessities.

As always, we provided support for our team members during the crisis. Several Target distribution centers assembled thousands of food kits for team members in need.

In total, Target donated more than \$500,000 in cash and essential items after the storm, supporting local schools, local organizations, the Salvation Army, and the American Red Cross in their disaster shelter operations.

While **Hurricane Isaac** forced 24 Target stores in Florida, Alabama, Louisiana and Mississippi to close, careful planning and recovery efforts helped us be the first to reopen after the storm. We donated \$150,000 in cash and product to the American Red Cross and nonprofit organizations in hard-hit areas to ensure citizens had necessities like food and water.

# Legacy of Giving and Service



## Overview

Supporting communities through philanthropy has always been a cornerstone of our business and a belief that guides many of our decisions. Each year, we give 5 percent of our profit to communities, totaling more than \$4 million each week. We also believe that donating our time and talent is as important as the income we give. Our team members give hundreds of thousands of hours volunteering in their local communities every year.

## Education

We believe every child should have the opportunity to reach his or her full potential, and our guests tell us that education is their top social concern. Because our guests' concerns are important to us, and because we know that our future success and that of the global economy depends on an educated workforce, we strive to help kids do well in school.

We believe that every student deserves a quality education regardless of race or socio-economic status. We believe all students should graduate from high school ready for college, a career and life.

In 2010, we announced our goal to give \$1 billion for education by FYE 2015, with a significant portion helping more U.S. children read proficiently by the end of third grade.

In 2012, we donated \$98 million for education, bringing our total giving to date to \$777 million and keeping us on track to reach our goal.

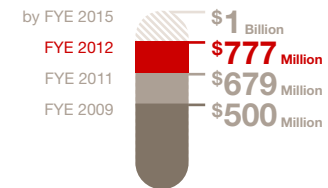
Several programs contributed to our progress in 2012, including Give with Target (our social giving campaign through Facebook), local store and distribution center grants, and partnerships with reading-focused organizations.

Looking ahead, we will continue to invest in a diverse portfolio of programs and partnerships that raise awareness of the importance of education, particularly K-3 literacy. This will help put more kids on the path to graduation by providing teachers and students with the resources they need to be successful. We regularly evaluate our programs and evolve them based on the changing needs of schools, students and teachers.

## Double Education Support

ON TRACK

Double Target's year-end 2009 cumulative support of education, with a focus on reading, to \$1 billion



## Give with Target

In a new giving campaign, we asked visitors to Target's Facebook page to download the Give with Target app and vote for the K-12 school of their choice. Every 25 votes earned a school a \$25 GiftCard to use for the supplies or equipment they needed most. In total, nearly three million votes were cast for more than 30,000 schools, and Target was able to donate \$2.5 million to schools across the country.

In addition to these donations, 100 in-need schools each received a \$25,000 grant as part of the campaign. The campaign resulted in a \$5 million total donation – a significant milestone in our goal to give \$1 billion for education by the end of FY 2015.

Because our guests and team members told us they loved supporting their local schools through the Give with Target app, we will continue to look for innovative ways to build awareness and engagement through social channels.

## Store and Distribution Center Grants

Because team members who live and work in the communities in which we do business have the best understanding of their community's needs, all Target stores and distribution centers have the opportunity to designate their own grants.

In 2012, our more than 1,700 stores and distribution facilities provided education grants to K-12 schools in their communities to support field trips for thousands of students; early childhood reading programs that encourage families to read together and inspire kids to love reading; and arts, design and cultural programs that bring creativity to the classroom.

## Increase TCOE Giving

In 2012, we gave more than \$29 million in Take Charge of Education® (TCOE) donations to more than 85,000 schools, bringing our cumulative TCOE giving to more than \$354 million as of FYE 2012.

Our Take Charge of Education® giving is on track to meet our FYE 2015 goal, thanks to more guests signing up for – and using – the Target RedCard®, which allows them to designate 1 percent of their purchase amounts to the school of their choice.

Since its inception in 1997, we have continued to evaluate this program, investing in research to ensure its ongoing relevance and its ability to deliver value to our business, brand and communities.



## Increase TCOE Giving

ON TRACK

Increase cumulative giving to schools nationwide through Target's signature Take Charge of Education (TCOE) program to \$425 million



### Increase Reading Proficiency

While we support programs and activities that benefit education at all levels, studies show that third grade is a turning point where kids transition from learning to read to reading to learn. According to a 2011 study by the Annie E. Casey Foundation, a child who cannot read proficiently by the end of third grade is four times more likely to drop out of high school than a child who can. Therefore, we focus our efforts on programs that help students read proficiently by the end of third grade.

We also partner with and provide financial, thought and awareness support to organizations that are improving reading outcomes, including the Children’s Literacy Initiative, Minnesota Reading Corps and Building Educated Leaders for Life.

### Improve Even More School Libraries

In partnership with The Heart of America Foundation, we achieved our goal of completing 32 Target School Library Makeovers in 2012, bringing our total to 150.

Target and The Heart of America Foundation select school districts and work with superintendents who nominate schools that meet certain criteria, such as percentage of students on free or reduced lunch programs and percentage of third-grade students reading below state proficiency average.

### Increase Reading Proficiency: Improve Even More School Libraries

ACHIEVED

Complete an additional 32 Target School Library Makeovers at in-need schools

by FYE 2012



150 Target School Library Makeovers

FYE 2011

118 Target School Library Makeovers





Each of the 32 schools received a minimum of 2,000 new books selected by the media specialist and relevant to the demographics of each school – and every student received seven age-appropriate books to bring home for their personal library. New library spaces, transformed with the help of Target volunteers, feature new carpet, paint, artwork, shelving and special seating, and every school received a customized technology package, including a minimum of 10 iPads.

Because we know that without proper nutrition, kids can't perform well in school, Target partners with local Feeding America affiliates and food banks to establish Meals for Minds mobile food pantries in most Target School Library Makeover locations. Target volunteers assist local food banks in a monthly distribution of Target-funded food, at a minimum of 22 pounds of food and fresh produce per student. Since launching the program in 2010, it is now in 66 locations in 44 U.S. cities, with plans to expand in 2013.

Looking ahead, we plan to complete another 25 makeovers in 2013, most with a Meals for Minds program, and will continue to look at new and innovative ways to positively affect education and increase reading proficiency.

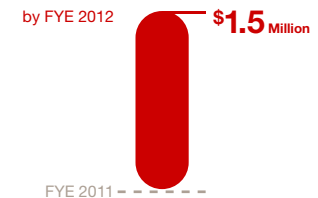
### Increase Reading Support

Strong reading skills are key to a child's success in school, so Target awarded grants totaling \$1.5 million to 100 Target School Library Makeover alumni schools in 2012, achieving our one-year goal to help increase reading achievement. Schools used funds to purchase reading materials and resources, from software to in-classroom libraries.

### Increase Reading Proficiency: Increase Reading Support

ACHIEVED

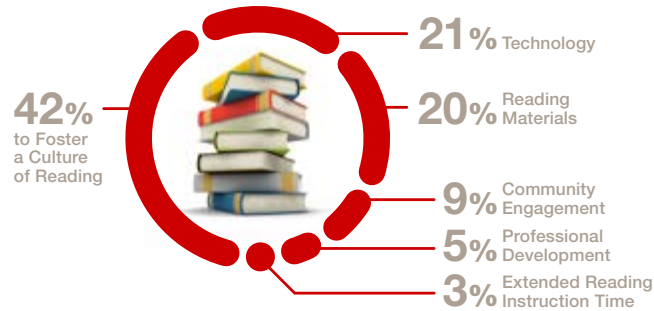
Provide \$1.5 million in grants to 100 Target School Library Makeover alumni schools to increase reading achievement





### Reading Support Grants

Target School Library Makeover alumni schools indicated that they would use the funds to improve reading in their schools in several ways.



### Implement Literacy Pilots

Target achieved our goal to implement literacy pilots in 12 schools in the Los Angeles and Washington, D.C., school districts in 2012, building on a pilot launched at six Minneapolis elementary schools in 2011.

While we had success, we also learned a lot as we launched our two new pilots. Based on our learnings, the Los Angeles and Washington, D.C., programs were designed for smoother integration into existing district tools and training. Additionally, we established an ongoing focus on improved partner integration and communication.

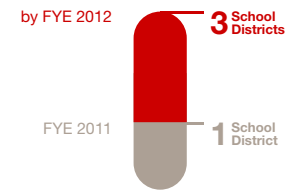
An ongoing challenge in this area is measuring the impact of our giving, particularly due to measurement inconsistencies for education and literacy in the United States. As a result, we determined it would be premature to set a specific reading-proficiency outcome goal, as originally indicated. Instead, we identified the following priorities for 2013:

1. We will measure the success of the pilots through annual progress toward unique reading proficiency goals set in partnership with districts.
2. We will track growth and proficiency measures for the pilots and select grants outside the pilots.
3. We will work with the districts to identify how to sustain the best aspects of the program once the pilot ends.

### Increase Reading Proficiency: Implement Literacy Pilots

ACHIEVED

Implement innovative literacy pilots in two additional school districts



[Watch](#) this video to see the literacy pilot program in action in Los Angeles and Washington, D.C., schools.

## Volunteerism

In 2012, team members gave more than 679,000 volunteer hours to communities globally, putting us on track to reach our goal of 700,000 team member volunteer hours each year by FYE 2015.

We believe that the time we contribute through volunteerism is just as important as the financial support that we give, and we are proud of our team members' ongoing commitment to service. We provide a variety of opportunities for our team members to get involved and support strong, healthy and safe communities.

In 2012, we launched a Track Your Hours campaign and established community captains in stores and distribution centers to help team members find volunteer opportunities and track the hours they spend volunteering. As a result, we were able to identify and reward team members for tracking their hours through individual recognition and grants for their communities.

While the 2012 campaign was successful, we are aware that consistent tracking and reporting remains a challenge.

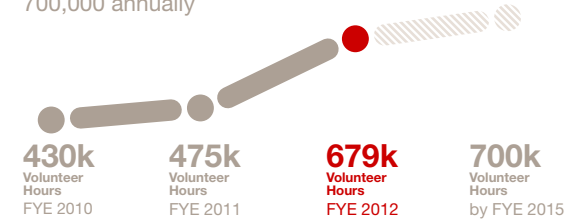
Looking ahead, each Target business area and location will have specific volunteer hours goals, giving teams a roadmap to help Target stay on track to achieve our larger 2015 goal. We'll continue to create awareness that the easiest way for teams to achieve their goals is to simply track the hours they've already volunteered.



## Increase Volunteer Hours

ON TRACK

Strengthen local communities and help kids learn, schools teach and parents and caring adults engage by increasing team member volunteer hours to 700,000 annually



To honor the life and legacy of civil rights pioneer Martin Luther King, Jr., Target team members joined thousands of other volunteers in service across the nation in conjunction with the Presidential Inauguration Committee's National Day of Service. Volunteers served in a variety of ways, including packing service member care kits, completing local service projects, and co-hosting America's Sunday Supper, one of a series of community gatherings designed to bring people together to share a meal and discuss ways to collaborate to meet local needs. The event was held at the United States Institute of Peace in Washington, D.C.

Team members told us they wanted more help getting connected to volunteer opportunities that support our commitment to education. In response, we developed a toolkit that included specific tools to support individual and group reading activities, which will be released in 2013.

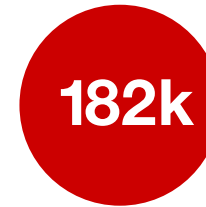
## Fighting Hunger in our Communities

In addition to supporting Meals for Minds mobile food pantries as part of our Target School Library Makeover program, our stores, in partnership with Feeding America, work with local food banks to donate millions of pounds of food and household goods to families in need each year.

## Arts

Target is a longstanding supporter of arts accessibility and arts programming in schools, including artists in residence and field trips. To help bring classroom learning to life, in 2012 we funded field trips to museums and performing arts institutions and an artist-in-residency program with Alvin Ailey American Dance Theater in New York City through our Arts, Culture & Design in Schools Grants. And, as part of our commitment to making the arts more affordable and accessible for families, Target supports free admission to museums and concerts across the country.

## 2012 United Way Support



Volunteer  
Hours



Companywide  
Participation



## Giving and Volunteerism in Canada

Although our Canadian stores did not open until 2013, we were already busy in Canadian communities in 2012.

### 5% Commitment

We will continue our legacy of providing 5 percent of our profit to communities as stores open across Canada, and we're listening to and learning from our Canadian guests to determine our focus for giving in Canada. We launched our giving through partnerships with organizations like Food Banks Canada and local United Way chapters.

### Give with Target Canada

Like our U.S. Give with Target initiative, Give with Target Canada encouraged Canadians to select their most important causes for children and families in need. With the help of engaged Canadians, we donated \$1 million (USD) in just three days (more than two weeks earlier than expected) to six charitable organizations. And in December, we hosted a celebration event for the families and children who use the services of each charitable organization, along with their volunteers and key stakeholders.





In 2012, we offered Canadians the opportunity to experience a limited-edition collection of Jason Wu for Target through a one-day only pop-up store in Toronto. We donated 100 percent of the sales from the event to United Way Toronto, our first charitable contribution in Canada.

### **United Way**

To celebrate the opening of our Target Canada headquarters in Mississauga, Ontario, we donated \$125,000 (USD) to the United Way of Peel Region, helping them exceed their campaign target. We will continue to partner with the United Way in Canada in 2013.

### **Volunteerism**

Canadian team members are already contributing to Target's goal of 700,000 volunteer hours annually by FYE 2015 by volunteering with their teams.

In July 2012, more than 350 Target Canada team members volunteered more than 800 hours during a single Day of Service. That event was followed in December with another Day of Service that engaged more than 500 team members in 20 volunteer events, resulting in more than 1,600 volunteer hours that benefitted organizations like the Canadian Breast Cancer Foundation and the Toronto Humane Society.

### **Additional International Giving**

We are committed to strengthening communities in countries outside of North America where our team members live and work, where we do not yet operate stores.

In 2012, United Way Worldwide and Save the Children granted more than \$2.2 million on behalf of Target to NGOs in 16 countries supporting quality accessible education for children and youth.



Target Canada team members participated in two Days of Service in 2012.

# Civic Activity



## Public Policy

We believe that engaging in legislative and public policy activity is an important and necessary element of being a diversified, multinational retail business. We work with elected officials of all political parties to help shape constructive public-policy solutions that benefit our business, team, guests and the communities we serve.

In 2010, the Corporate Responsibility Committee of our Board of Directors conducted a thorough review of Target's policies and practices regarding public-policy engagement. This review resulted in a clear and transparent framework for Target's public-policy engagement that was approved by our Board of Directors. As part of this framework, we have reaffirmed Target's commitment to aligning our public-policy activities and business interests, employing a decision-making process to support ongoing compliance with our alignment objective, and maintaining transparency to our guests, team members, shareholders and other stakeholders.



In 2012 we launched Citizens@Target, Target's legislative action center for team members and guests. The site, [citizensatarget.com](http://citizensatarget.com), is a nonpartisan platform for civic engagement that highlights issues impacting Target's business and provides resources for team members and members of our communities to get involved.

## Issue Advocacy

As a retailer, importer, health-care provider and employer of approximately 375,000 team members by the end of 2013, we play an important role in informing policy makers about many legislative issues. We advocate at all levels of government, with think tanks, NGOs and trade associations to ensure that the impact legislative and regulatory issues have on our business, industry, communities and team members is well understood.

When directly advocating on positions important to our business, we rely on leaders throughout the company who have expertise to lend to policy discussions. We also provide opportunities for our team members to learn about issues affecting Target and how to communicate with their elected representatives through in-person programs and by publishing informative material.

Recently, we've shared expertise and engaged in lobbying activities on a number of issues important to our company and the retail industry. Although the specific issues vary with legislative activity and schedules, they include taxes, trade, product safety, data security, health-care reform, and employment and labor issues.

### **E-Fairness Online Sales Taxes**

In 2012, our direct advocacy focused primarily on E-Fairness legislation around the collection of online sales taxes. As a result of a decades-old tax loophole, many online-only retailers receive as much as a 10 percent perceived price advantage over brick-and-mortar retailers because they are not required to collect and remit state sales taxes, even though the tax is due by the consumer.

These laws are antiquated and unfairly benefit certain companies at the expense of others. For example, this loophole creates a competitive disadvantage for companies like Target that collect state and local sales taxes for both in-store and online purchases.

We view this issue as our top priority because of its effect on the retail industry and, more specifically, its direct and significant impact to our business. We also identified this issue as a top priority when working with trade associations and retail peer companies because we determined that legislative activity on the issue was a possibility and that telling the retail-industry story would provide a valuable perspective to policy makers.

In 2012, Target advocated at both the federal and state levels for legislation that would require online-only retailers to collect and remit sales taxes, just like brick-and-mortar retailers are required to do. This issue was our primary focus in terms of the time and effort spent by our Government Affairs team and, when appropriate, other team members who are subject matter experts.

Retail is a very competitive industry, and Target's view is that a sale is a sale, whether it takes place online or in a store. Target will continue to advocate for E-Fairness legislation in both the state legislatures and in Congress to ensure a fair and level playing field for all retailers.

We are pleased to note that in 2012 several states passed varying forms of E-Fairness legislation, while other states reached agreements with online-only retailers to begin sales tax collection in their states. We consider this important progress at the state level and will continue to focus on efforts to level the playing field for retailers through state and federal action.

### **Advocacy Reporting**

Target publicly reports its advocacy activities every three months as required by law with the Secretary of the U.S. Senate and the Clerk of the U.S. House of Representatives, and our recent reports are available at <https://corporate.target.com/corporate-responsibility/civic-activity/issues-advocacy>.

We also indirectly engage in advocacy through our memberships in trade associations and other policy-based organizations, which support their member companies by offering educational forums, public policy advocacy and advancement of issues of common concern. Given the diversity of interests, viewpoints and broad membership represented by these organizations, the positions they take do not always reflect Target's views.

Our financial support of trade associations and other policy-based organizations is limited to educational, lobbying and association management activities. We expressly require that our financial contributions to these organizations not be used for making campaign contributions to candidates or to influence the outcome of specific elections or ballot initiatives.

We report the identity of the trade associations and other policy-based organizations that we support, together with the aggregate amount of our financial support. In addition, because membership dues used for lobbying activities are not deductible for U.S. tax purposes, we also show the portion of our total dues that are not tax deductible.

Information on our support of trade associations and other policy-based organizations is updated twice per year (January and July) and is available at <https://corporate.target.com/corporate-responsibility/civic-activity/issues-advocacy>.

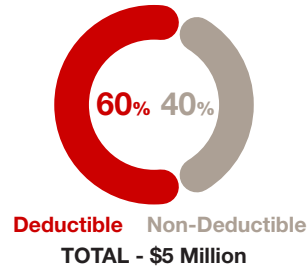


When directly advocating on positions important to our business, we rely on leaders throughout the company who have expertise to lend to policy discussions.



## Trade Association and Policy-Based Organization Support

January 1 - December 31, 2012



### Organizations

- |   |  |  |   |
|---|--|--|---|
| Alabama Retail Association                        | Connecticut Retail Merchants Association | Montana Retail Association                                   | Saint Paul Area Chamber of Commerce       |
| Alliance of Wisconsin Retailers, LLC              | Consumer Electronics Retailers Coalition | National Association of Business Political Action Committees | Seattle Metropolitan Chamber of Commerce  |
| American Apparel and Footwear Association         | Convenient Care Association              | National Association of Secretaries of State                 | South Carolina Retail Association         |
| American Association of Exporters and Importers   | Delaware Retail Council                  | National Chamber Foundation                                  | South Dakota Retailers                    |
| American Bankers Association                      | Florida Retail Federation                | National Conference of State Legislators                     | State Chamber of Oklahoma                 |
| American Benefits Council                         | Food Marketing Institute                 | National Governors Association                               | State Government Affairs Council          |
| Arizona Community Pharmacy Committee              | Georgia Retail Association               | National League of Cities                                    | State Legislative Leaders Foundation      |
| Arizona Retailers Association                     | Grocery Manufacturers Association        | Nebraska Retail Federation                                   | Stephen P. Georgeson                      |
| Arkansas Grocers and Retail Merchants Association | HR Policy Association                    | New Jersey Retail Merchants Association                      | Tennessee Retail Association              |
| Associated Oregon Industries                      | Idaho Retailers Association              | New Mexico Retail Association                                | Texas Federation of Drug Stores           |
| Brookings   | Illinois Retail Merchants Association    | New York Metropolitan Retailers Association                  | Texas Retailers Association               |
| Business - Government Relations Council           | Indiana Retail Council                   | North Carolina Retail Merchants Association                  | The Itasca Project                        |
| Business Council                                  | Iowa Pharmacy Association                | North Dakota Retail Association                              | Third Way                                 |
| Business Roundtable                               | Iowa Retail Federation                   | Ohio Council of Retail Merchants                             | U.S. Chamber of Commerce                  |
| California Business Properties Association        | Kansas Chamber of Commerce               | Pennsylvania Chamber of Business and Industry                | U.S. China Business Council               |
| California Chamber of Commerce                    | Kentucky Retail Federation               | Pennsylvania Retailers Association                           | U.S. Conference of Mayors                 |
| California Retailers Association                  | Louisiana Retailers Association          | Public Affairs Council                                       | U.S. India Business Council               |
| California Taxpayers Association                  | Maine Merchants Association              | Retail Association of Mississippi                            | Utah Association of Financial Services    |
| Center on Executive Compensation                  | Maryland Retailers Association           | Retail Association of Nevada                                 | Utah Bankers Association                  |
| Central City Association of Los Angeles           | Michigan Retailers Association           | Retail Council of New York State                             | Utah Retail Merchants Association         |
| Chain Pharmacy Association of NYS                 | Minneapolis Regional Chamber of Commerce | Retail Industry Leaders Association (RILA)                   | Vermont Retail Association                |
| Chicago Loop Alliance                             | Minnesota Business Partnership           | Retail Litigation Center (RILA)                              | Virginia Association of Chain Drug Stores |
| Chicago Retail Merchants Association              | Minnesota Chamber of Commerce            | Retail Merchants Association of New Hampshire                | Virginia Retail Merchants Association     |
| Citizens' League                                  | Minnesota Governmental Relations Council | Retail Merchants of Hawaii                                   | Washington Retail Association             |
| Colorado Chain Pharmacy Committee                 | Minnesota Retailers Association          | Retailers Association of Massachusetts                       | West Virginia Retailers Association       |
| Colorado Retail Council                           | Minnesota Taxpayers Association          | Rhode Island Retail Federation                               | Wyoming Retail Association                |
|   | Missouri Retailers Association           | Ripon Society  |   |

## Political Engagement

### Policy Committee

Target's Policy Committee is the primary body to guide the decision-making process regarding financial support of political activities. The Policy Committee consists of our most senior executives in areas most affected by public policy decisions. The Policy Committee, in conjunction with the Chief Executive Officer, is responsible for balancing our business interests with any other considerations that may be important to our team members, guests or other stakeholders. The Policy Committee reports to the Corporate Responsibility Committee of the Board of Directors at least twice per year.

Target may provide financial support to political candidates, political parties or ballot initiatives through two separate channels:

- TargetCitizens PAC, which is funded through the voluntary contributions of our eligible team members, and
- The use of general corporate funds where permitted by law.

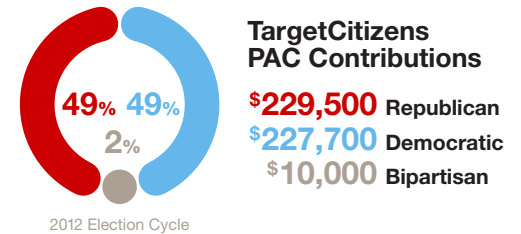
Regardless of which channel for political contributions is used, our financial support is provided in a nonpartisan manner based strictly on issues that directly affect our business priorities.

### PAC Contributions

TargetCitizens PAC, which is funded through the voluntary contributions of eligible team members, makes contributions in a bipartisan manner to federal candidates and organizations. Target's Policy Committee determines the factors to be considered when making contribution decisions. These factors are:

- General alignment with our business objectives
- Extent of our presence in a candidate's state or congressional district
- Relevant legislative committee assignments
- Leadership positions
- Political balance
- The interests of our guests, team members, shareholders and other stakeholders

Information on TargetCitizens PAC contributions can be found on the Federal Election Commission's website [fec.gov](http://fec.gov).



## Corporate Contributions

The use of general corporate funds for political contributions is permitted if the Policy Committee determines that it would be an appropriate means of advancing issues that are important to our business. The Policy Committee reviews and approves any use of general corporate funds for electioneering activities, including any contributions to political candidates, parties, committees or other political organizations, or for or against ballot measures. Before any contribution is made, the Policy Committee: (i) determines that the contribution supports our business interests; (ii) gives consideration to the interests of our guests, team members, shareholders and other stakeholders; and (iii) concludes that under the circumstances, the contribution is an appropriate means of advancing our public policy position. This Policy Committee approval process applies whether the contribution is made directly to a candidate or party, or indirectly through an organization operating under Section 527 or 501(c)(4) of the U.S. Internal Revenue Code.

One way Target and other retail companies engage at the state level is to support state retail association political action committees (PACs) where allowed by law. By pooling resources with other retailers, we are able to support candidates who understand and support issues important to the retail industry, such as tax and labor policy, environmental issues and organized retail crime. Target also is a member of national organizations such as the Democratic and Republican governors and attorneys general associations, which allows our team members to attend conferences and other events to learn about those elected officials' policy priorities and initiatives and to share a retail perspective. Because those organizations separately engage in political efforts, we disclose our memberships as political contributions.

Target publicly discloses its political contributions using corporate treasury funds, which include contributions to recipients such as political candidates, parties and committees; 527 or 501(c)(4) organizations using the funds for political purposes; super PACs; governors associations; and independent political expenditures supporting or opposing campaigns or ballot measures. A list of such individual contributions of \$5,000 or more, including recipient name and amount are updated twice per year, is available at <https://corporate.target.com/corporate-responsibility/civic-activity/political-contributions>.

## 2012 Target Corporate Political Contributions

The following is a list of contributions of general corporate funds in the amount of \$5,000 or more to support or oppose the election of candidates for office or ballot initiatives. The total corporate political contribution amount for January 1 - December 31, 2012 is \$194,500.

<i>Organization</i>	<i>Amount</i>
California Business Properties Association PAC .....	\$6,500
California Jobs PAC .....	\$6,500
California Retailers Association Good Government Council.....	\$6,500
Democratic Attorneys General Association .....	\$10,000
Democratic Governors Association...	\$50,000
Illinois Merchants Political Action Committee Team.....	\$20,000
New York Retailers for Effective Government .....	\$5,000
Republican Governors Association...	\$50,000
Republican State Leadership Committee.....	\$10,000

# Corporate Governance



## Overview

At Target, we have actively supported strong corporate governance practices for decades. Many of the practices and policies that guide our company today were initiated by the company's founder, George Draper Dayton, who began a retail legacy that stretches back to 1902. Our Board of Directors recognizes that our corporate governance practices must continually evolve to effectively serve our guests, team members, shareholders and the communities in which we do business. The details of our approach to corporate governance can be found in our [Corporate Governance Guidelines](#).

## Compliance and Ethics

Ethical business is a longstanding part of our culture and heritage. As a result of our culture and commitment, Target has been ranked as one of the World's Most Ethical Companies by the Ethisphere Institute every year since it released its first list in 2007. The editors of Ethisphere magazine also featured Target's Business Conduct Guide in the Q2 2012 issue, recognizing it as a top example of a business code of conduct. Target's guide falls in the top 2 percent of all retail industry guides and in the top 1 percent of all guides reviewed by Corpedia.

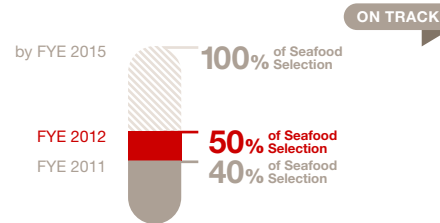
Acting with integrity is essential to maintaining our reputation with our team members, with our guests, and with our communities and shareholders as a responsible corporate citizen. All team members, regardless of level or role are expected to conduct themselves with the utmost personal and professional integrity. We continue to enhance our Compliance and Ethics program by providing team members with policies and procedures, and tools and training to support their role in conducting our business ethically and with integrity.

# Goals and Progress

## Environment

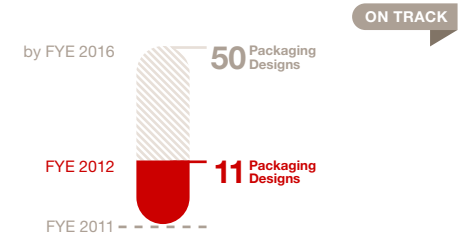
### Increase Sustainable Seafood Selection

Ensure that our fresh and frozen seafood selection is 100 percent sustainable, traceable, or in a time-bound improvement process



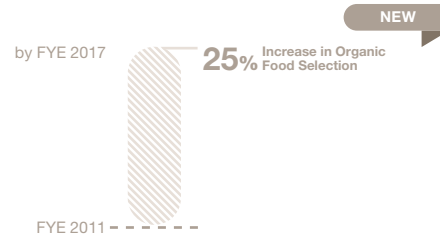
### Improve Owned-Brand Packaging Sustainability

Enhance at least 50 owned-brand packaging designs to be more sustainable



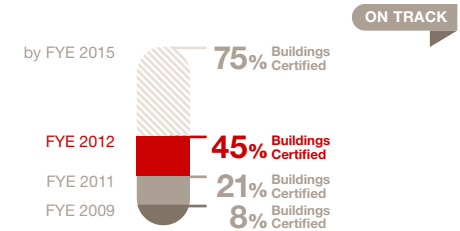
### Increase Organic Food Offerings

Increase organic food offerings by 25 percent



### Increase ENERGY STAR Certifications

Earn the ENERGY STAR for at least 75 percent of U.S. Target buildings



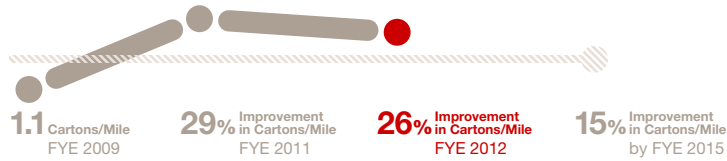
## Environment

### Improve Transportation Efficiencies: Inbound

ON TRACK

Improve the efficiency of general merchandise transportation inbound to distribution centers by 15 percent and support the adoption of cleaner and more fuel-efficient transportation practices

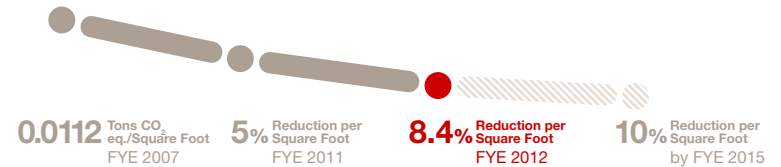
*We've surpassed our goal early; however, we'll continue to measure progress through FYE 2015 to ensure we maintain our high level of performance.*



### Reduce Greenhouse Gas Emissions: Per Square Foot

ON TRACK

Reduce Scope 1 and Scope 2 greenhouse gas emissions by 10 percent per square foot

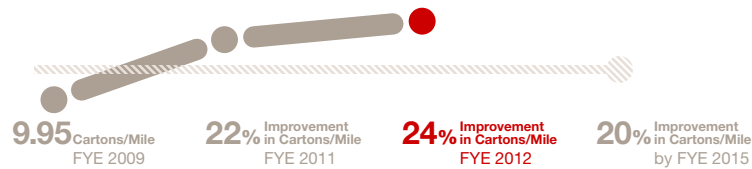


### Improve Transportation Efficiencies: Outbound

ON TRACK

Improve the efficiency of general merchandise transportation outbound from distribution centers by 20 percent and more fuel-efficient transportation practices

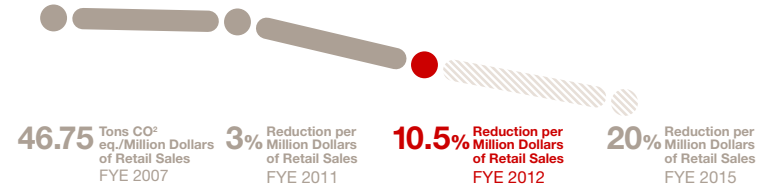
*We've surpassed our goal early; however, we'll continue to measure progress through FYE 2015 to ensure we maintain our high level of performance.*



### Reduce Greenhouse Gas Emissions: Per Retail Sales

ON TRACK

Reduce Scope 1 and Scope 2 greenhouse gas emissions by 20 percent per million dollars of retail sales

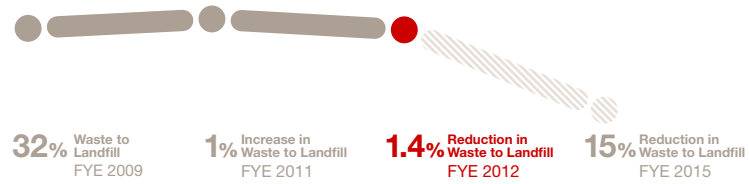


## Environment

### Reduce Waste

Reduce the amount of operating waste sent to landfill by 15 percent

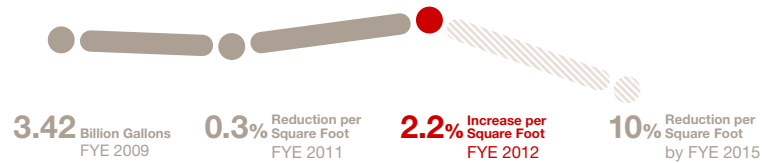
ON TRACK



### Reduce Water Use

Reduce water use by 10 percent per square foot

NEEDS IMPROVEMENT

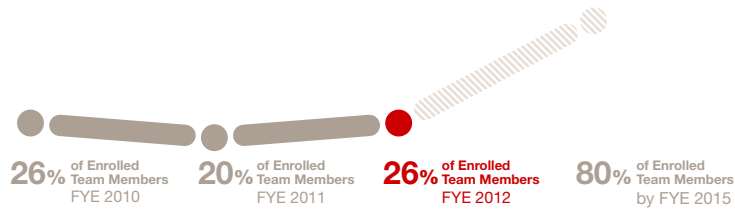


## Team Member Well-being

### Increase Health Assessments

NEEDS IMPROVEMENT

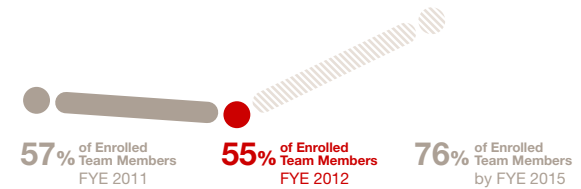
Increase the percentage of team members and spouses/domestic partners enrolled in a Target health plan completing a health assessment to 80 percent



### Increase Breast Cancer Screenings

ON TRACK

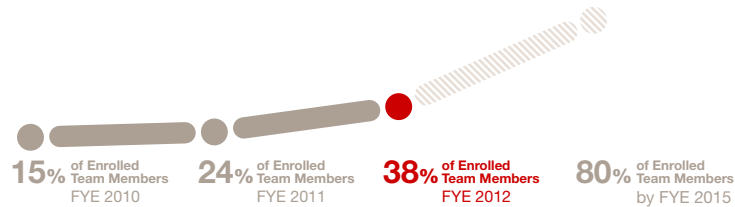
Increase the percentage of eligible team members and dependents enrolled in a Target health plan getting breast cancer screenings to 76 percent



### Increase Biometric Health Screenings

ON TRACK

Increase the percentage of team members and spouses/domestic partners enrolled in a Target health plan completing a biometric screening to 80 percent



### Increase Cervical Cancer Screenings

MODIFIED

Increase the percentage of eligible team members and dependents enrolled in a Target health plan getting cervical cancer screenings to 79 percent



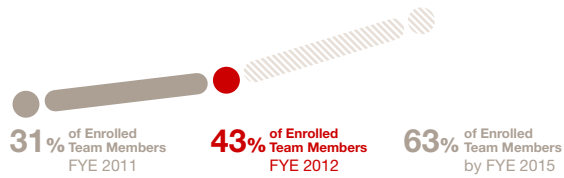


## Team Member Well-being

### Increase Colon Cancer Screenings

Increase the percentage of eligible team members and dependents enrolled in a Target health plan getting colon cancer screenings to 63 percent

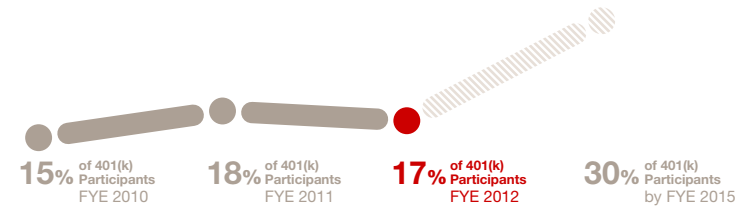
ON TRACK



### Increase Use of Financial Tools

Increase the percentage of team members participating in the Target 401(k) who are using financial tools and resources provided by Target to 30 percent

NEEDS IMPROVEMENT



### Increase Diabetes HbA1C Testing Compliance

Increase the percentage of eligible team members and dependents enrolled in a Target health plan getting diabetes testing to 91 percent

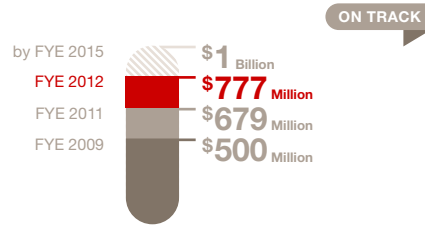
ON TRACK



# Education

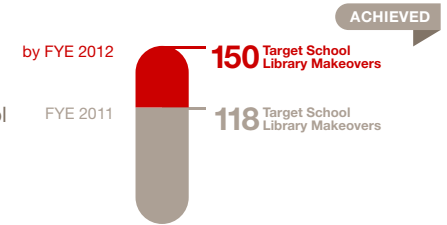
## Double Education Support

Double Target's year-end 2009 cumulative support of education, with a focus on reading, to \$1 billion



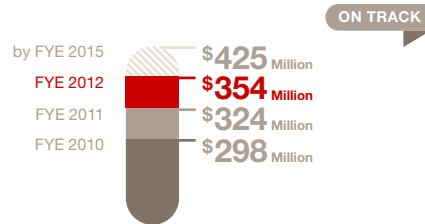
## Increase Reading Proficiency: Improve Even More School Libraries

Complete an additional 32 Target School Library Makeovers at in-need schools



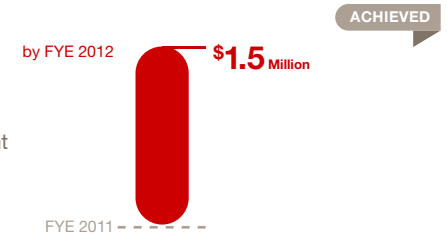
## Increase TCOE Giving

Increase cumulative giving to schools nationwide through Target's signature Take Charge of Education (TCOE) program to \$425 million



## Increase Reading Proficiency: Increase Reading Support

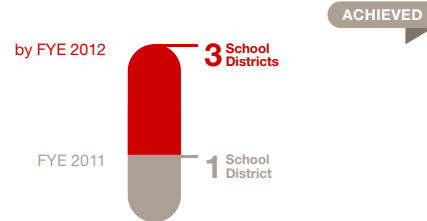
Provide \$1.5 million in grants to 100 Target School Library Makeover alumni schools to increase reading achievement



## Education

### Increase Reading Proficiency: Implement Literacy Pilots

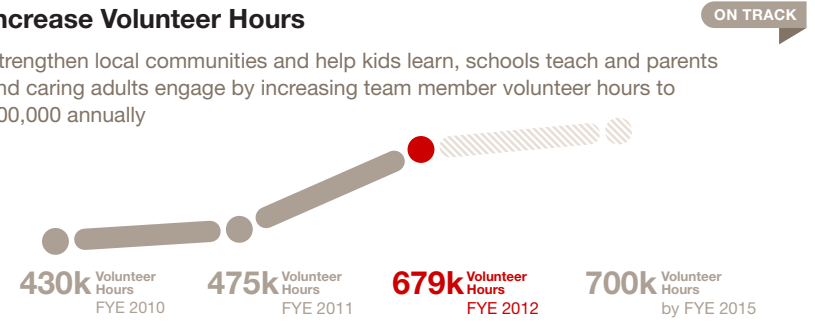
Implement innovative literacy pilots in two additional school districts



## Volunteerism

### Increase Volunteer Hours

Strengthen local communities and help kids learn, schools teach and parents and caring adults engage by increasing team member volunteer hours to 700,000 annually



# About this Report

## Scope

This annual report represents our global operations as of FYE 2012. Unless noted, goals within the report reflect our U.S. operations only.

This report was published in June 2013 and reflects our activities and performance for fiscal year 2012 (Jan. 29, 2012 – Feb. 2, 2013) and also includes forward-looking statements about our business plans, initiatives and objectives. For the purposes of year-over-year comparison, the 2012 fiscal year contained 53 weeks while fiscal years 2011 and 2010 each contained 52 weeks.

## Reporting Standards

This report uses the Global Reporting Initiative (GRI) 3.1 framework, which Target recognizes as one of the most credible and widely-used standards for reporting environmental, social and governance performance. We believe it helps bring focus to our continued and evolving work as a responsible corporate citizen. We self-declare that this report meets GRI Application Level B requirements.

## Extended Corporate Responsibility Information

This report complements additional corporate responsibility information as well as past corporate responsibility reports, which are available at [Target.com/corporateresponsibility](http://Target.com/corporateresponsibility). Our last report (2011 Corporate Responsibility Report) was published in June 2012. We are committed to reporting our ongoing progress online and invite you to visit periodically for updates.

## Other Reporting

The 2012 Target Annual Report is available at [Target.com/investors](http://Target.com/investors).

Target's 2012 Carbon Disclosure Project investor survey response and Water Disclosure are available at [Target.com/corporateresponsibility](http://Target.com/corporateresponsibility).

## Contact

[CorporateResponsibility@target.com](mailto:CorporateResponsibility@target.com)

# GRI Index

## G3.1 Guidelines

Indicator	Description	Reported	Cross-Reference
<b>Part I: Profile Disclosures</b>			
<b>1. Strategy and Analysis</b>			
1.1	Statement from the most senior decision-maker of the organization.	Fully	<a href="#">A Message from our CEO - 3</a>
1.2	Description of key impacts, risks, and opportunities.	Fully	<a href="#">A Message from our CEO - 3</a> <a href="#">Environmental Sustainability - 10</a> <a href="#">Responsible Sourcing - 35</a> <a href="#">Our CSR Approach // Materiality - 6</a> <a href="#">A Great Place to Work - 61</a> <a href="#">Safety and Preparedness - 76</a> <a href="#">Legacy of Giving and Service - 84</a> <a href="#">Civic Activity - 94</a> <a href="#">2012 Annual Report</a>
<b>2. Organizational Profile</b>			
2.1	Name of the organization.	Fully	<a href="#">Company Overview - 4</a>
2.2	Primary brands, products, and/or services.	Fully	<a href="#">Company Overview - 4</a>
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	Fully	<a href="#">Company Overview - 4</a>
2.4	Location of organization's headquarters.	Fully	<a href="#">Company Overview - 4</a>
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	Fully	<a href="#">Company Overview - 4</a>
2.6	Nature of ownership and legal form.	Fully	<a href="#">Company Overview - 4</a>
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	Fully	<a href="#">Company Overview - 4</a>
2.8	Scale of the reporting organization.	Fully	<a href="#">Company Overview - 4</a>
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	Fully	<a href="#">Company Overview - 4</a>
2.10	Awards received in the reporting period.	Fully	<a href="#">Recognition - 117</a>
<b>3. Report Parameters</b>			
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	Fully	<a href="#">About this Report - 108</a>
3.2	Date of most recent previous report (if any).	Fully	<a href="#">About this Report - 108</a>
3.3	Reporting cycle (annual, biennial, etc.)	Fully	<a href="#">About this Report - 108</a>
3.4	Contact point for questions regarding the report or its contents.	Fully	<a href="#">About this Report - 108</a>

Indicator	Description	Reported	Cross-Reference
3.5	Process for defining report content.	Fully	<a href="#">Our CSR Approach // Materiality - 6</a> <a href="#">About this Report - 108</a>
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	Fully	<a href="#">About this Report - 108</a>
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	Fully	<a href="#">About this Report - 108</a>
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	Fully	<a href="#">About this Report - 108</a>
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.	Fully	<a href="#">Environmental Sustainability - 27, 34</a> <a href="#">Team Member Well-being - 70</a> <a href="#">About this Report - 108</a>
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	Fully	<i>There are no re-statements of information provided in earlier reports.</i>
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	Fully	<a href="#">About this Report - 108</a>
3.12	Table identifying the location of the Standard Disclosures in the report.	Fully	<a href="#">GRI Index - 109</a>
3.13	Policy and current practice with regard to seeking external assurance for the report.	Fully	<i>We did not seek external assurance for this report.</i>
<b>4. Governance, Commitments, and Engagement</b>			
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	Fully	<a href="#">Corporate Governance</a>
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	Fully	<a href="#">Corporate Governance</a>
4.3	For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.	Fully	<a href="#">Corporate Governance</a>
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Fully	<a href="#">Corporate Governance</a>
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	Fully	<a href="#">Corporate Governance</a>
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	Fully	<a href="#">Corporate Governance</a>
4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.	Fully	<a href="#">Corporate Governance</a>

Indicator	Description	Reported	Cross-Reference
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	Fully	<a href="#">Responsible Sourcing - 37</a> <a href="#">Mission and Values</a>
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	Fully	<a href="#">Corporate Governance</a>
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	Fully	<a href="#">Corporate Governance</a>
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	Fully	<a href="#">A Message from our CEO - 3</a> <a href="#">Environmental Sustainability - 10</a> <a href="#">Responsible Sourcing - 35</a>
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	Fully	<a href="#">Environmental Sustainability - 10</a> <a href="#">Responsible Sourcing - 35</a>
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic.	Fully	<a href="#">Civic Activity - 94</a>
4.14	List of stakeholder groups engaged by the organization.	Fully	<a href="#">Stakeholder Engagement - 7-9</a>
4.15	Basis for identification and selection of stakeholders with whom to engage.	Fully	<a href="#">Stakeholder Engagement - 7-9</a>
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Fully	<a href="#">Stakeholder Engagement - 7-9</a>
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	Fully	<a href="#">Stakeholder Engagement - 7-9</a>
<b>Part II: Disclosures on Management Approach</b>			
DMA EC	Disclosure on Management Approach EC	Fully	<a href="#">2012 Annual Report</a>
DMA EN	Disclosure on Management Approach EN	Fully	<a href="#">Environmental Sustainability - 10</a>
DMA LA	Disclosure on Management Approach LA	Fully	<a href="#">A Great Place to Work - 61</a>
DMA HR	Disclosure on Management Approach HR	Fully	<a href="#">Responsible Sourcing - 35</a> <a href="#">A Great Place to Work - 61</a>
DMA SO	Disclosure on Management Approach SO	Fully	<a href="#">Safety and Preparedness - 76</a> <a href="#">Legacy of Giving &amp; Service - 84</a> <a href="#">Civic Activity - 94</a> <a href="#">Stakeholder Engagement - 7-9</a>
DMA PR	Disclosure on Management Approach PR	Fully	<a href="#">Responsible Sourcing - 54, 57, 58</a> <a href="#">Stakeholder Engagement - 7-9</a>

Indicator	Description	Reported	Cross-Reference
<b>Part III: Performance Indicators</b>			
<b>Economic</b>			
<b>EC1</b>	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	<b>Fully</b>	<a href="#">2012 Annual Report</a>
<b>EC2</b>	Financial implications and other risks and opportunities for the organization's activities due to climate change.	<b>Fully</b>	<a href="#">Environmental Sustainability - 26</a>
<b>EC3</b>	Coverage of the organization's defined benefit plan obligations.	<b>Fully</b>	<a href="#">2012 Annual Report</a>
<b>EC4</b>	Significant financial assistance received from government.	<b>Fully</b>	<i>Target does not receive significant financial assistance from government.</i>
<b>EC5</b>	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	<b>Not</b>	
<b>EC6</b>	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	<b>Not</b>	
<b>EC7</b>	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	<b>Not</b>	
<b>EC8</b>	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	<b>Fully</b>	<a href="#">Legacy of Giving and Service - 87-88</a>
<b>EC9</b>	Understanding and describing significant indirect economic impacts, including the extent of impacts.	<b>Not</b>	
<b>Environmental</b>			
<b>EN1</b>	Materials used by weight or volume.	<b>Not</b>	
<b>EN2</b>	Percentage of materials used that are recycled input materials.	<b>Not</b>	
<b>EN3</b>	Direct energy consumption by primary energy source.	<b>Fully</b>	<a href="#">Environmental Sustainability - 27</a>
<b>EN4</b>	Indirect energy consumption by primary source.	<b>Fully</b>	<a href="#">Environmental Sustainability - 27</a>
<b>EN5</b>	Energy saved due to conservation and efficiency improvements.	<b>Fully</b>	<a href="#">Environmental Sustainability - 27</a>
<b>EN6</b>	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	<b>Not</b>	
<b>EN7</b>	Initiatives to reduce indirect energy consumption and reductions achieved.	<b>Not</b>	
<b>EN8</b>	Total water withdrawal by source.	<b>Fully</b>	<a href="#">Environmental Sustainability - 34</a> <i>A small percentage of our buildings (less than 1 percent) directly withdraw water via water wells. A large percentage of our buildings' water is supplied via municipal systems.</i>



Indicator	Description	Reported	Cross-Reference
EN9	Water sources significantly affected by withdrawal of water.	<b>Fully</b>	<i>As a retailer, we do not operate in a water intensive industry where significant water withdrawals are necessary. We are not aware of any water sources significantly affected by our withdrawal of water. Our strategy is to achieve milestones in our business by using resources responsibly, eliminating waste, and minimizing our water consumption.</i>
EN10	Percentage and total volume of water recycled and reused.	<b>Fully</b>	<i>We currently have no facilities that recycle or re-use water, and have one facility that captures rainwater for use in flushing toilets and urinals. We do not have a meter at the facility to report the amount of water captured and used within our operations.</i>
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	<b>Not</b>	
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	<b>Not</b>	
EN13	Habitats protected or restored.	<b>Partially</b>	<a href="#">Environmental Sustainability - 24</a>
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	<b>Not</b>	
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	<b>Not</b>	
EN16	Total direct and indirect greenhouse gas emissions by weight.	<b>Fully</b>	<a href="#">Environmental Sustainability - 28</a>
EN17	Other relevant indirect greenhouse gas emissions by weight.	<b>Not</b>	
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	<b>Fully</b>	<a href="#">Environmental Sustainability - 28</a>
EN19	Emissions of ozone-depleting substances by weight.	<b>Not</b>	
EN20	NOx, SOx, and other significant air emissions by type and weight.	<b>Not</b>	
EN21	Total water discharge by quality and destination.	<b>Not</b>	
EN22	Total weight of waste by type and disposal method.	<b>Partially</b>	<a href="#">Environmental Sustainability - 32</a>
EN23	Total number and volume of significant spills.	<b>Not</b>	
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	<b>Not</b>	
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	<b>Not</b>	

Indicator	Description	Reported	Cross-Reference
<b>EN26</b>	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	<b>Fully</b>	<a href="#">Environmental Sustainability - 14-34</a>
<b>EN27</b>	Percentage of products sold and their packaging materials that are reclaimed by category.	<b>Not</b>	
<b>EN28</b>	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	<b>Not</b>	
<b>EN29</b>	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	<b>Partially</b>	<a href="#">Environmental Sustainability - 20-21</a>
<b>EN30</b>	Total environmental protection expenditures and investments by type.	<b>Not</b>	
<b>Labor Practices and Decent Work</b>			
<b>LA1</b>	Total workforce by employment type, employment contract, and region, broken down by gender.	<b>Partially</b>	<a href="#">Diversity and Inclusion - 73</a>
<b>LA2</b>	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	<b>Not</b>	
<b>LA3</b>	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	<b>Fully</b>	<a href="#">Team Member Well-being - 62-71</a>
<b>LA4</b>	Percentage of employees covered by collective bargaining agreements.	<b>Not</b>	
<b>LA5</b>	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	<b>Not</b>	
<b>LA6</b>	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	<b>Not</b>	
<b>LA7</b>	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender.	<b>Not</b>	
<b>LA8</b>	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	<b>Not</b>	
<b>LA9</b>	Health and safety topics covered in formal agreements with trade unions.	<b>Not</b>	
<b>LA10</b>	Average hours of training per year per employee by gender, and by employee category.	<b>Not</b>	
<b>LA11</b>	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	<b>Partially</b>	<a href="#">Team Member Well-being - 66-67</a>
<b>LA12</b>	Percentage of employees receiving regular performance and career development reviews, by gender.	<b>Partially</b>	<a href="#">Team Member Well-being - 67</a>
<b>LA13</b>	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	<b>Partially</b>	<a href="#">Diversity and Inclusion - 73</a>
<b>LA14</b>	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	<b>Not</b>	
<b>LA15</b>	Return to work and retention rates after parental leave, by gender.	<b>Not</b>	

Indicator	Description	Reported	Cross-Reference
<b>Human Rights</b>			
<b>HR1</b>	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.	<b>Not</b>	
<b>HR2</b>	Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken.	<b>Fully</b>	<a href="#">Responsible Sourcing - 43</a>
<b>HR3</b>	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	<b>Partially</b>	<a href="#">Responsible Sourcing - 36, 37, 44</a>
<b>HR4</b>	Total number of incidents of discrimination and corrective actions taken.	<b>Not</b>	
<b>HR5</b>	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	<b>Not</b>	
<b>HR6</b>	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	<b>Fully</b>	<a href="#">Responsible Sourcing - 49</a>
<b>HR7</b>	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	<b>Fully</b>	<a href="#">Responsible Sourcing - 49, 53</a>
<b>HR8</b>	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	<b>Not</b>	
<b>HR9</b>	Total number of incidents of violations involving rights of indigenous people and actions taken.	<b>Not</b>	
<b>HR10</b>	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	<b>Fully</b>	<a href="#">Company Overview - 5</a> <a href="#">Responsible Sourcing - 43</a> <i>Because Target does not own its factories, our global sourcing offices are the only operations we own. These offices are subject to the same standards and policies as our domestic offices. Human rights considerations are made when exploring new countries for office locations.</i>
<b>HR11</b>	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.	<b>Not</b>	
<b>Society</b>			
<b>SO1</b>	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	<b>Partially</b>	<a href="#">Stakeholder Engagement - 7-9</a> <a href="#">Safety &amp; Preparedness - 76</a> <a href="#">Legacy of Giving and Service - 84</a> <a href="#">Civic Activity - 94</a>
<b>SO2</b>	Percentage and total number of business units analyzed for risks related to corruption.	<b>Not</b>	
<b>SO3</b>	Percentage of employees trained in organization's anti-corruption policies and procedures.	<b>Not</b>	

Indicator	Description	Reported	Cross-Reference
<b>SO4</b>	Actions taken in response to incidents of corruption.	<b>Not</b>	
<b>SO5</b>	Public policy positions and participation in public policy development and lobbying.	<b>Fully</b>	<a href="#">Civic Activity - 94-96</a>
<b>SO6</b>	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	<b>Fully</b>	<a href="#">Civic Activity - 98-99</a>
<b>SO7</b>	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	<b>Not</b>	
<b>SO8</b>	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	<b>Not</b>	
<b>SO9</b>	Operations with significant potential or actual negative impacts on local communities.	<b>Not</b>	
<b>SO10</b>	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	<b>Not</b>	
<b>Product Responsibility</b>			
<b>PR1</b>	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	<b>Fully</b>	<a href="#">Environmental Sustainability - 19</a> <a href="#">Responsible Sourcing - 54-59</a>
<b>PR2</b>	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	<b>Not</b>	
<b>PR3</b>	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	<b>Partially</b>	<a href="#">Responsible Sourcing - 59</a>
<b>PR4</b>	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	<b>Not</b>	
<b>PR5</b>	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	<b>Partially</b>	<a href="#">Stakeholder Engagement - 7-9</a>
<b>PR6</b>	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	<b>Not</b>	
<b>PR7</b>	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	<b>Not</b>	
<b>PR8</b>	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	<b>Not</b>	
<b>PR9</b>	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	<b>Not</b>	

# Recognition



Fortune magazine ranked Target No. 25 on its list of **“World’s Most Admired Companies.”**  
[read Fortune article](#)

Ethisphere Institute named Target one of the **“World’s Most Ethical Companies.”**  
[read Ethisphere article](#)

Newsweek Magazine ranked Target No. 85 out of 500 on its **U.S. Green Rankings 2012.**  
[read Newsweek article](#)

Corporate Responsibility Magazine ranked Target No. 64 on its list of **“100 Best Corporate Citizens.”**  
[view complete list](#)

Target was added to the **2012 Dow Jones Sustainability Index (DJSI) World Index.**  
[learn more about the DJSI](#)

Target scored an 87 B on the **2012 Carbon Disclosure Project S&P 500 Report**, an increase over our 2011 score of 77 C.  
[view 2012 CDP S&P 500 Report](#)

The National Conference on Citizenship and Points of Light, in partnership with Bloomberg LP, ranked Target No. 16 on the first comprehensive ranking of **“The Civic 50.”**  
[read Businessweek article](#)

DiversityInc magazine ranked Target No. 30 on its list of **“Top 50 Companies for Diversity.”**  
[read DiversityInc article](#)

DiversityBusiness.com ranked Target No. 28 on its list of **“America’s Top 50 Organizations for Multicultural Business Opportunities.”**  
[read DiversityBusiness.com article](#)

The Women’s Business Enterprise National Council named Target a **“Top Corporation for Women’s Business Enterprises.”**  
[view complete list](#)

Target was named a member of the United States Hispanic Chamber of Commerce **2012 Million Dollar Club** for its commitment to supplier diversity and Hispanic Business Enterprises.  
[view complete list](#)

Forbes magazine and the Reputation Institute ranked Target No. 22 on the list of **“America’s Most Reputable Companies.”**  
[read Forbes article](#)

Universum ranked Target No. 38 on its **“Ideal Employer List”** as surveyed by American MBAs, and No. 28 as surveyed by American undergraduates.  
[read Wall Street Journal article](#)

Working Mother Media ranked Target among its 2012 **“Best Companies for Hourly Workers.”**  
[read Working Mother article](#)



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