# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## FORM 10-K

**(Mark One)**

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended January 30, 2021

**OR**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ____ to ____

Commission File Number 1-6049

# TARGET CORPORATION

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| **Minnesota** | **41-0215170** |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| **1000 Nicollet Mall, Minneapolis, Minnesota** | **55403** |
| (Address of principal executive offices) | (Zip Code) |

Registrant's telephone number, including area code: 612/304-6073

Former name, former address and former fiscal year, if changed since last report: N/A

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| **Common stock, par value $0.0833 per share** | **TGT** | **New York Stock Exchange** |

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

*Note* – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Exchange Act from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company (as defined in Rule 12b-2 of the Exchange Act).

| | | |
|---|---|---|
| Large accelerated filer ☒ | Accelerated filer ☐ | Non-accelerated filer ☐ |
| Smaller reporting company ☐ | | Emerging growth company ☐ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the voting stock held by non-affiliates of the registrant as of July 31, 2020, was $62,803,635,300 based on the closing price of $125.88 per share of Common Stock as reported on the New York Stock Exchange Composite Index.

Indicate the number of shares outstanding of each of registrant's classes of Common Stock, as of the latest practicable date. Total shares of Common Stock, par value $0.0833, outstanding as of March 4, 2021, were 498,616,180.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of Target's Proxy Statement for the Annual Meeting of Shareholders to be held on June 9, 2021, are incorporated into Part III.

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# PART I

## Item 1. Business

### General

Target Corporation (Target, the Corporation or the Company) was incorporated in Minnesota in 1902. We offer to our customers, referred to as "guests," everyday essentials and fashionable, differentiated merchandise at discounted prices. Our ability to deliver a preferred shopping experience to our guests is supported by our supply chain and technology, our devotion to innovation, our loyalty offerings and suite of fulfillment options, and our disciplined approach to managing our business and investing in future growth. We operate as a single segment designed to enable guests to purchase products seamlessly in stores or through our digital channels. Since 1946, we have given 5 percent of our profit to communities.

### Financial Highlights

For information on key financial highlights, see Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A).

### Seasonality

A larger share of annual revenues and earnings traditionally occurs in the fourth quarter because it includes the November and December holiday sales period.

### Merchandise

We sell a wide assortment of general merchandise and food. The majority of our general merchandise stores offer an edited food assortment, including perishables, dry grocery, dairy, and frozen items. Nearly all of our stores larger than 170,000 square feet offer a full line of food items comparable to traditional supermarkets. Our small format stores, generally smaller than 50,000 square feet, offer curated general merchandise and food assortments. Our digital channels include a wide merchandise assortment, including many items found in our stores, along with a complementary assortment.

A significant portion of our sales is from national brand merchandise. Approximately one-third of 2020 sales was related to our owned and exclusive brands, including but not limited to the following:

Owned Brands

A New Day™
All in Motion™
Archer Farms™
Art Class™
Auden™
Ava & Viv™
Boots & Barkley™
Bullseye's Playground™
Casaluna™
Cat & Jack™
Cloud Island™
Colsie™
Embark™
Everspring™
Good & Gather™
Goodfellow & Co™
Hearth & Hand™ with Magnolia
heyday™
Hyde & EEK! Boutique™
JoyLab™
Knox Rose™
Kona Sol™
Made By Design™
Market Pantry™
More Than Magic™
Opalhouse™
Open Story™
Original Use™
Pillowfort™
Project 62™
Prologue™
Room Essentials™
Shade & Shore™
Simply Balanced™
Smartly™
Smith & Hawken™
Sonia Kashuk™
Spritz™
Stars Above™
Sun Squad™
Threshold™
Universal Thread™
up & up™
Wild Fable™
Wondershop™
Xhilaration™

Exclusive Adult Beverage Brands

California Roots™
Mystic Reef™
Rosé Bae™
The Collection™
Wine Cube™

We also sell merchandise through periodic exclusive design and creative partnerships and generate revenue from in-store amenities such as Target Café and leased or licensed departments such as Target Optical, Starbucks, and other food service offerings. CVS Pharmacy, Inc. (CVS) operates pharmacies and clinics in our stores under a perpetual operating agreement from which we generate annual occupancy income. In 2020, we announced a partnership with Ulta Beauty under which we will operate *Ulta Beauty at Target*, a shop-in-shop experience debuting on Target.com and in more than 100 Target locations beginning in 2021, with plans to scale to hundreds more over time.

## Customer Loyalty Programs

Our guests receive a 5 percent discount on nearly all purchases and receive free shipping at Target.com when they use their Target Debit Card, Target Credit Card, or Target™ MasterCard® (collectively, RedCards™). We also seek to drive customer loyalty and trip frequency through our Target Circle program, where members earn 1 percent rewards on nearly all non-RedCard purchases, among other benefits.

## Distribution

The vast majority of merchandise is distributed to our stores through our network of distribution centers. Common carriers ship merchandise to and from our distribution centers. Vendors or third-party distributors ship certain food items and other merchandise directly to our stores. Merchandise sold through our digital channels is distributed to our guests via common carriers (from stores, distribution centers, vendors, and third-party distributors), delivery via our wholly owned subsidiary, Shipt, Inc. (Shipt), and through guest pick-up at our stores. Our stores fulfill the majority of the digitally originated sales, which allows improved product availability, faster fulfillment times, reduced shipping costs, and allows us to offer guests a suite of same-day fulfillment options such as Order Pickup, Drive Up, and Shipt.

## Human Capital Management

At Target, our purpose is to help all families discover the joy of everyday life. In support of this purpose we invest in our team, our most important asset, by giving them opportunities to grow professionally, take care of themselves, each other and their families, and to make a difference for our guests and our communities. We are among the largest private employers in the U.S., and our workforce has varying goals and expectations of their employment relationship, from team members looking to build a career to students, retirees and others who are seeking to supplement their income in an enjoyable atmosphere. We seek to be an employer of choice to attract and retain top talent no matter their objectives in seeking employment. To that end, we strive to foster an engaged, diverse, inclusive, safe, purpose-driven culture where employees, referred to as "team members," have equitable opportunities for success.

As of January 30, 2021, we employed approximately 409,000 full-time, part-time, and seasonal team members. Because of the seasonal nature of the retail business, employment levels peak in the holiday season. We also engage independent contractors, most notably in our Shipt subsidiary.

*Talent Development and Engagement*

We offer a compelling work environment with meaningful experiences and abundant growth and career-development opportunities. This starts with the opportunity to do challenging work and learn on the job and is supplemented by programs and continuous learning that help our team build skills at all levels, including programs focused on specialized skill development, leadership opportunities, coaching, and mentoring. Our talent and succession planning process supports the development of a diverse talent pipeline for leadership and other critical roles. We monitor our team members' perceptions of these commitments through a number of surveys and take steps to address areas needing improvement.

*Diversity and Inclusion*

We champion workplace diversity and inclusion and focus on developing, advancing, and recruiting diverse talent. We monitor the representation of women and racially or ethnically diverse team members at different levels throughout the company and disclose the composition of our team in our annual Workforce Diversity Report (which, beginning with our 2019 report, includes demographic information using the categories disclosed in our EEO-1 report). Developing teams where team members feel heard, respected, and included is a core Target value and is also fundamental to creating an inclusive guest experience.

*Compensation and Benefits*

Our compensation and benefits are designed to support the financial, mental, and physical well-being of our team members and their families. We believe in paying team members equitably, regardless of gender, race or ethnicity, and we regularly review the pay data of U.S. team members to confirm that we are doing so. Our compensation packages include a $15 per-hour minimum starting wage for US hourly team members (who comprise the vast majority of our team), a 401(k) plan with matching contributions up to five percent of eligible earnings, paid vacation and holidays, family leave, merchandise and other discounts, disability insurance, life insurance, healthcare and dependent care flexible spending accounts, tuition reimbursement, various team member assistance programs, an annual short-term incentive program, long-term equity awards, and health insurance benefits. Eligibility for, and the level of, benefits vary depending on team members' full-time or part-time status, work location, compensation level, and tenure.

*Workplace Health and Safety*

We strive to maintain a safe and secure work environment and have specific safety programs. This includes administering a comprehensive occupational injury- and illness-prevention program and training for team members.

*COVID-19*

In 2020 we invested more than $1 billion in the well-being, health, and safety of our team members and guests. We extended certain benefits to our team members in light of the COVID-19 pandemic, including bonuses, fully-paid leaves for up to 30 days, free back-up dependent care, and a variety of mental, emotional, and physical wellness resources. We also enacted dozens of safety, social distancing, and cleaning measures designed to protect our team and guests during the COVID-19 pandemic.

## Working Capital

Effective inventory management is key to our ongoing success, and we use various techniques including demand forecasting and planning and various forms of replenishment management. We achieve effective inventory management by staying in-stock in core product offerings, maintaining positive vendor relationships, and carefully planning inventory levels for seasonal and apparel items to minimize markdowns.

The Liquidity and Capital Resources section in MD&A provides additional details.

## Competition

We compete with traditional and internet retailers, including department stores, off-price general merchandise retailers, wholesale clubs, category-specific retailers, drug stores, supermarkets, and other forms of retail commerce. Our ability to positively differentiate ourselves from other retailers and provide compelling value to our guests largely determines our competitive position within the retail industry.

## Intellectual Property

Our brand image is a critical element of our business strategy. Our principal trademarks, including Target, our "Expect More. Pay Less." brand promise, and our "Bullseye Design," have been registered with the United States (U.S.) Patent and Trademark Office. We also seek to obtain and preserve intellectual property protection for our brands.

## Geographic Information

Nearly all of our revenues are generated within the U.S. The vast majority of our property and equipment is located within the U.S.

## Available Information

Our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act are available free of charge at investors.target.com as soon as reasonably practicable after we file such material with, or furnish it to, the U.S. Securities and Exchange Commission (SEC). In addition, the SEC maintains a website (http://www.sec.gov) that contains information we electronically file with, or furnish to, the SEC. Our Corporate Governance Guidelines, Code of Ethics, Corporate Responsibility Report, and the charters for the committees of our Board of Directors are also available free of charge in print upon request or at investors.target.com. Information on our website is not part of this or any other report we file with, or furnish to, the SEC.

## Item 1A. Risk Factors

Our business is subject to many risks. Set forth below are the material risks we face. Risks are listed in the categories where they primarily apply, but other categories may also apply.

### Competitive and Reputational Risks

**Our continued success is dependent on positive perceptions of Target which, if eroded, could adversely affect our business and our relationships with our guests and team members.**

We believe that one of the reasons our shareholders, guests, team members, and vendors choose Target is the positive reputation we have built over many years for serving those different constituencies and the communities in which we operate. To be successful in the future, we must continue to preserve Target's reputation. Our reputation is based in large part on perceptions, and broad access to social media makes it easy for anyone to provide public feedback that can influence perceptions of Target. It may be difficult to control negative publicity, regardless of whether it is accurate. Target's position or perceived lack of position on social, environmental, public policy or other sensitive issues, and any perceived lack of transparency about those matters, could harm our reputation. While reputations may take decades to build, negative incidents can quickly erode trust and confidence and can result in consumer boycotts, governmental investigations, or litigation. In addition, vendors and others with whom we do business may affect our reputation. For example, CVS operates clinics and pharmacies within our stores, and our guests' perceptions of and experiences with CVS may affect our reputation. Negative reputational incidents could adversely affect our business through lost sales, loss of new store and development opportunities, or team member retention and recruiting difficulties.

**If we are unable to positively differentiate ourselves from other retailers, our results of operations could be adversely affected.**

We have been able to compete successfully by differentiating our guests' shopping experience through a careful combination of price, merchandise assortment, store environment, convenience, guest service, loyalty programs, and marketing efforts. Guest perceptions regarding the cleanliness and safety of our stores, the functionality, reliability, and speed of our digital channels and fulfillment options, our in-stock levels, and the value of our promotions are among the factors that affect our ability to compete. In addition, our ability to create a personalized guest experience through the collection and use of accurate and relevant guest data is important to our ability to differentiate from other retailers. No single competitive factor is dominant, and actions by our competitors on any of these factors or the failure of our strategies could adversely affect our sales, gross margins, and expenses.

Our owned and exclusive brand products help differentiate us from other retailers, generally carry higher margins than equivalent national brand products and represent a significant portion of our overall sales. If we are unable to successfully develop, support, and evolve our owned and exclusive brands, if one or more of these brands experiences a loss of consumer acceptance or confidence, or if we are unable to successfully protect our intellectual property rights, our sales and gross margins could be adversely affected.

The retail industry's continuing migration to digital channels has affected the ways we differentiate from other retailers. In particular, consumers are able to quickly and conveniently comparison shop and determine real-time product availability using digital tools, which can lead to decisions based solely on price or the functionality of the digital tools. Consumers may also use third-party channels or devices, such as voice assistants and smart home devices, to initiate shopping searches and place orders, which could sometimes make us dependent on the capabilities and search algorithms of those third parties to reach those consumers. Any difficulties in executing our differentiation efforts, actions by our competitors in response to these efforts, or failures by vendors in managing their own channels, content and technology systems to support these efforts could adversely affect our sales, gross margins, and expenses.

**If we are unable to successfully provide a relevant and reliable experience for our guests across multiple channels, our sales, results of operations and reputation could be adversely affected.**

Our business has evolved from an in-store experience to interaction with guests across multiple channels (in-store, online, mobile, social media, voice assistants, and smart home devices, among others). Our guests are using those channels to shop with us and provide feedback and public commentary about our business. We must anticipate and meet changing guest expectations and counteract developments and investments by our competitors. Our evolving retailing efforts include implementing technology, software and processes to be able to conveniently and cost-effectively fulfill guest orders directly from any point within our system of stores and distribution centers and from our vendors. We also need to collect accurate, relevant, and usable guest data to personalize our offerings. Providing multiple fulfillment options and implementing new technology is complex and may not meet expectations for accurate order fulfillment, faster and guaranteed delivery times, low-cost or free shipping, and desired payment methods. Even when we are successful in meeting expectations for fulfillment, if we are unable to offset increased costs of fulfilling orders outside of our traditional in-store channel with efficiencies, cost-savings or expense reductions, our results of operations could be adversely affected.

**If we do not anticipate and respond quickly to changing consumer preferences, our sales and profitability could suffer.**

A large part of our business is dependent on our ability to make trend-right decisions and effectively manage our inventory in a broad range of merchandise categories, including apparel, accessories, home décor, electronics, toys, seasonal offerings, food, and others. If we do not obtain accurate and relevant data on guest preferences, predict and quickly respond to changing consumer tastes, preferences, spending patterns and other lifestyle decisions, emphasize the correct categories, implement competitive and effective pricing and promotion strategies, or personalize our offerings to our guests, we may experience lost sales, spoilage, and increased inventory markdowns, which could adversely affect our results of operations.

## Investments and Infrastructure Risks

**If our capital investments in remodeling existing stores, building new stores, and improving technology and supply chain infrastructure do not achieve appropriate returns, our competitive position, financial condition and results of operations could be adversely affected.**

Our business depends, in part, on our ability to remodel existing stores and build new stores in a manner that achieves appropriate returns on our capital investment. Our store remodel program is large and is being implemented using a custom approach based on the condition of each store and characteristics of the surrounding neighborhood. When building new stores, we compete with other retailers and businesses for suitable locations for our stores. Pursuing the wrong remodel or new store opportunities and any delays, cost increases, disruptions or other uncertainties related to those opportunities could adversely affect our results of operations.

We are making, and expect to continue to make, significant investments in technology and selective acquisitions to improve guest experiences across multiple channels and improve the speed, accuracy, and cost efficiency of our supply chain and inventory management systems. The effectiveness of these investments can be less predictable than remodeling stores, and might not provide the anticipated benefits or desired rates of return. In addition, if we are unable to successfully protect any intellectual property rights resulting from our investments, the value received from those investments may be eroded, which could adversely affect our financial condition.

Pursuing the wrong investment opportunities, being unable to make new concepts scalable, making an investment commitment significantly above or below our needs, or failing to effectively incorporate acquired businesses into our business could result in the loss of our competitive position and adversely affect our financial condition or results of operations.

**A significant disruption in our computer systems and our inability to adequately maintain and update those systems could adversely affect our operations and negatively affect our guests.**

We rely extensively on computer systems throughout our business. We also rely on continued and unimpeded access to the Internet to use our computer systems. Our systems are subject to damage or interruption from power outages, telecommunications failures, computer viruses, malicious attacks, security breaches, catastrophic events, and implementation errors. If our systems are damaged, disrupted or fail to function properly or reliably, we may incur substantial repair or replacement costs, experience data loss or theft and impediments to our ability to manage inventories or process guest transactions, and encounter lost guest confidence, which could require additional promotional activities to attract guests and otherwise adversely affect our results of operations. We continually invest to maintain and update our computer systems. Implementing significant system changes increases the risk of computer system disruption. The potential problems and interruptions associated with implementing technology initiatives, as well as providing training and support for those initiatives, could disrupt or reduce our operational efficiency, and could negatively impact guest experience and guest confidence. For example, in the past we have experienced disruptions in our point-of-sale system that prevented our ability to process debit or credit transactions, negatively impacted some guests' experiences, and generated negative publicity.

## Information Security, Cybersecurity, and Data Privacy Risks

**If our efforts to provide information security, cybersecurity, and data privacy are unsuccessful or if we are unable to meet increasingly demanding regulatory requirements, we may face additional costly government enforcement actions and private litigation, and our reputation and results of operations could suffer.**

We regularly receive and store information about our guests, team members, vendors, and other third parties. We have programs in place to detect, contain, and respond to data security incidents. However, because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time, we may be unable to anticipate these techniques or implement adequate preventive measures. In addition, hardware, software, or applications we develop or procure from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security, cybersecurity, and data privacy. Unauthorized parties may also attempt to gain access to our systems or facilities, or those of third parties with whom we do business, through fraud, trickery, or other forms of deceiving our team members, contractors, and vendors.

Prior to 2013, all data security incidents we encountered were insignificant. Our 2013 data breach was significant and went undetected for several weeks. Both we and our vendors have had data security incidents since the 2013 data breach; however, to date these other incidents have not been material to our results of operations. Based on the prominence and notoriety of the 2013 data breach, even minor additional data security incidents could draw greater scrutiny. If we, our vendors, or other third parties with whom we do business experience additional significant data security incidents or fail to detect and appropriately respond to significant incidents, we could be exposed to additional government enforcement actions and private litigation. In addition, our guests could lose confidence in our ability to protect their information, discontinue using our RedCards or loyalty programs, or stop shopping with us altogether, which could adversely affect our reputation, sales, and results of operations.

The legal and regulatory environment regarding information security, cybersecurity, and data privacy is increasingly demanding and has enhanced requirements for using and treating personal data. Complying with data protection requirements, such as those imposed by a variety of state laws, may cause us to incur substantial costs, require changes to our business practices, limit our ability to obtain data used to provide a differentiated guest experience, and expose us to further litigation and regulatory risks, each of which could adversely affect our results of operations.

## Supply Chain and Third-Party Risks

**Changes in our relationships with our vendors, changes in tax or trade policy, interruptions in our operations or supply chain or increased commodity or supply chain costs could adversely affect our results of operations.**

We are dependent on our vendors, including common carriers, to supply merchandise to our distribution centers, stores, and guests. As we continue to add capabilities to quickly move the appropriate amount of inventory at optimal operational costs through our entire supply chain, operating our fulfillment network becomes more complex and challenging. If our fulfillment network does not operate properly, if a vendor fails to deliver on its commitments, or if common carriers have difficulty providing capacity to meet demands for their services like they experienced at times during 2020, we could experience merchandise out-of-stocks, delivery delays or increased delivery costs, which could lead to lost sales and decreased guest confidence, and adversely affect our results of operations.

A large portion of our merchandise is sourced, directly or indirectly, from outside the U.S., with China as our single largest source. Any major changes in tax or trade policy, such as the imposition of additional tariffs or duties on imported products, between the U.S. and countries from which we source merchandise could require us to take certain actions, including for example raising prices on products we sell and seeking alternative sources of supply from vendors in other countries with whom we have less familiarity, which could adversely affect our reputation, sales, and our results of operations.

Political or financial instability, currency fluctuations, the outbreak of pandemics or other illnesses (such as the COVID-19 pandemic), labor unrest, transport capacity and costs, port security, weather conditions, natural disasters, or other events that could alter or suspend our operations, slow or disrupt port activities, or affect foreign trade are beyond our control and could materially disrupt our supply of merchandise, increase our costs, and/or adversely affect our results of operations. There have been periodic labor disputes impacting the U.S. ports that have caused us to make alternative arrangements to continue the flow of inventory, and if these types of disputes recur, worsen, or occur in other countries through which we source products, it may have a material impact on our costs or inventory supply. Changes in the costs of procuring commodities used in our merchandise or the costs related to our supply chain, could adversely affect our results of operations.

**A disruption in relationships with third-party service providers could adversely affect our operations.**

We rely on third parties to support our business, including portions of our technology infrastructure, development and support, our digital platforms and fulfillment operations, credit and debit card transaction processing, extensions of credit for our 5% RedCard Rewards loyalty program, the clinics and pharmacies operated by CVS within our stores, the infrastructure supporting our guest contact centers, aspects of our food offerings, and delivery services. If we are unable to contract with third parties having the specialized skills needed to support those strategies or integrate their products and services with our business, or if they fail to meet our performance standards and expectations, then our reputation and results of operations could be adversely affected. For example, if our guests unfavorably view CVS's operations, our ability to discontinue the relationship is limited and our results of operations could be adversely affected.

## Legal, Regulatory, Global and Other External Risks

**The COVID-19 pandemic has affected our business in many different ways, and may continue to amplify the risks and uncertainties facing our business and their potential impact on our financial position, results of operations, and cash flows.**

The COVID-19 pandemic has significantly affected U.S. consumer shopping patterns and caused the overall health of the U.S. economy to deteriorate. In 2020, our sales growth was most pronounced in lower margin categories with an increased percentage originated through our digital channels. While some of the changes in guest shopping patterns in connection with the COVID-19 pandemic may be temporary, others could become long-lasting. If the shifts in our category sales mix to lower-margin merchandise and fulfilling a significantly larger percentage of our sales through digital channels become long-lasting and we are unable to offset the lower margin and increased costs of fulfilling orders outside of our traditional in-store channel with efficiencies, cost-savings, or expense reductions, our results of operations could be adversely affected.

Shifts in shopping patterns during the COVID-19 pandemic have also significantly affected our inventory position and disrupted our supply chain. At times we have been unable to procure certain merchandise items in the quantities our guests seek, including those most in demand due to the COVID-19 pandemic. If we have additional times where we are unable to re-stock those products for an extended period, it may lead to lost sales and negatively affect our results of operations. For other products with demand below historic levels, many of which are in higher-margin categories such as Apparel and Accessories, we took actions to help manage that inventory, such as slowing or cancelling purchase orders and paying related cancellation fees, asking vendors to store excess inventory on their premises, and accelerating markdowns of inventory. Those increased costs, along with lost sales for those higher-margin products, have at times negatively affected, and may continue to negatively affect, our profitability. Our vendors have been and may be affected by the COVID-19 pandemic in differing ways. Some financially distressed vendors may be unable to survive the COVID-19 pandemic, which would require us to seek alternative vendors, while others are having difficulty supplying us products in the quantities our guests seek, which could negatively affect our results of operations.

Nearly all of our stores, digital channels, and distribution centers have remained open during the COVID-19 pandemic. We have incurred significant SG&A expenses related to efforts to protect the health and well-being of our guests and team members. Most of our headquarters operations have transitioned to remote working arrangements, which has amplified our already extensive reliance on computer systems and on our continued and unimpeded access to the Internet to use those systems. During parts of the COVID-19 pandemic, we have had to temporarily alter other parts of our operations, including adjusting our in-store returns process, suspending physical inventory counts at our stores, metering guest traffic, reducing store hours, and, in some locations, restricting access to “non-essential” sections of our stores due to emergency state or local operating restrictions. Those temporary alterations to our operations have at times negatively affected, and in the future could negatively affect, the guest experience, sales, and our results of operations. In addition, if guests or team members have negative perceptions about the cleanliness and safety of our stores in light of the COVID-19 pandemic, our reputation, the guest experience, sales, and our results of operations could be adversely affected.

During the COVID-19 pandemic some of our competitors were forced to temporarily suspend or limit their operations. In addition, many guests significantly reduced their spending on dining, travel, lodging, and other leisure activities outside their homes. Both of those factors may have contributed to our increased sales during the COVID-19 pandemic. As our competitors return to full operations and guests return to spending on those other categories, it could lead to lower sales than we experienced during the COVID-19 pandemic, which could negatively affect our results of operations.

A continued and prolonged deterioration in the health in the U.S. economy could lead to a reduction in our sales in the future, which could magnify any negative effects of the COVID-19 pandemic on our results of operations and negatively and materially affect additional areas of our business, such as asset impairment evaluations and the amount of credit card profit-sharing revenue payments we receive from TD Bank Group (TD).

The full extent of the impact of the COVID-19 pandemic on our business, financial position, and results of operations may not be known for an extended period and will depend on future developments, many of which are outside of our control, including the duration and spread of the COVID-19 pandemic, the availability and effectiveness of the COVID-19 vaccines, and related actions taken by the U.S., state, local, and international governments, which are uncertain and cannot be predicted. If the COVID-19 pandemic continues without improvement or worsens, its impacts could be more prolonged and may become more severe. The fluidity of this situation limits our ability to predict the ultimate impact of COVID-19 on our business, financial condition, and financial performance, which could be material.

**Our earnings depend on the state of macroeconomic conditions and consumer confidence in the U.S.**

Nearly all of our sales are in the U.S., making our results highly dependent on U.S. consumer confidence and the health of the U.S. economy. Deterioration in macroeconomic conditions or consumer confidence could negatively affect our business in many ways, including slowing sales growth, reducing overall sales, and reducing gross margins.

These same considerations impact the success of our credit card program. We share in the profits generated by the credit card program with TD, which owns the receivables generated by our proprietary credit cards. Deterioration in macroeconomic conditions or changes in consumer preferences concerning our credit card program could adversely affect the volume of new credit accounts, the amount of credit card program balances, and the ability of credit card holders to pay their balances. These conditions could result in us receiving lower profit-sharing payments.

**Uncharacteristic or significant weather conditions, natural disasters, and other catastrophic events could adversely affect our results of operations.**

Uncharacteristic or significant weather conditions can affect consumer shopping patterns, particularly in apparel and seasonal items, which could lead to lost sales or greater than expected markdowns and adversely affect our short-term results of operations. In addition, three of our largest states by total sales are California, Texas and Florida, areas where natural disasters are more prevalent. Natural disasters in those states or in other areas where our sales or operations are concentrated could result in significant physical damage to or closure of one or more of our stores, distribution centers, facilities, or key vendors. In addition, natural disasters and other catastrophic events, such as the COVID-19 pandemic, in areas where we or our vendors have operations, could cause delays in the distribution of merchandise from our vendors to our distribution centers, stores, and guests, affect consumer purchasing power, or reduce consumer demand, which could adversely affect our results of operations by increasing our costs and lowering our sales.

**We rely on a large, global, and changing workforce of team members, contractors, and temporary staffing. If we do not effectively manage our workforce and the concentration of work in certain global locations, our labor costs and results of operations could be adversely affected.**

With over 350,000 team members, our workforce costs represent our largest operating expense, and our business is dependent on our ability to attract, train, and retain the appropriate mix of qualified team members, contractors, and temporary staffing and effectively organize and manage those resources as our business and strategic priorities change. Many team members are in entry-level or part-time positions with historically high turnover rates. Our ability to meet our changing labor needs while controlling our costs is subject to external factors such as labor laws and regulations, unemployment levels, prevailing wage rates, benefit costs, changing demographics, and our reputation and relevance within the labor market. If we are unable to attract and retain a workforce meeting our needs, our operations, guest service levels, support functions, and competitiveness could suffer and our results of operations could be adversely affected. We are periodically subject to labor organizing efforts. If we become subject to one or more collective bargaining agreements in the future, it could adversely affect our labor costs and how we operate our business. In addition to our United States operations, we have support offices in India and China, and any extended disruption of our operations in our different locations, whether due to labor difficulties or otherwise, could adversely affect our operations and financial results.

**Failure to address product safety and sourcing concerns could adversely affect our sales and results of operations.**

If our merchandise offerings do not meet applicable safety standards or Target's or our guests' expectations regarding safety, supply chain transparency and responsible sourcing, we could experience lost sales and increased costs and be exposed to legal and reputational risk. All of our vendors must comply with applicable product safety laws, and we are dependent on them to ensure that the products we buy comply with all safety standards. Events that give rise to actual, potential or perceived product safety concerns, including food or drug contamination and product defects, could expose us to government enforcement action or private litigation and result in costly product recalls and other liabilities. Our sourcing vendors, including any third parties selling through our digital channels, must also meet our expectations across multiple areas of social compliance, including supply chain transparency and responsible sourcing. We have a social compliance audit process that perform audits on a regular basis, but we cannot continuously monitor every vendor, so we are also dependent on our vendors to ensure that the products we buy comply with our standards. If we need to seek alternative sources of supply from vendors with whom we have less familiarity, the risk of our standards not being met may increase. Negative guest perceptions regarding the safety and sourcing of the products we sell and events that give rise to actual, potential or perceived compliance and social responsibility concerns could hurt our reputation, result in lost sales, cause our guests to seek alternative sources for their needs, and make it difficult and costly for us to regain the confidence of our guests.

**Our failure to comply with federal, state, local, and international laws, or changes in these laws could increase our costs, reduce our margins, and lower our sales.**

Our business is subject to a wide array of laws and regulations.

Our expenses could increase and our operations could be adversely affected by law changes or adverse judicial developments involving an employer's obligation to recognize collective bargaining units, minimum wage requirements, advance scheduling notice requirements, health care mandates, the classification of exempt and non-exempt employees, and the classification of workers as either employees or independent contractors (particularly as it applies to our Shipt subsidiary, a technology company that connects Shipt members through its online marketplace with a network of independent contractors who select, purchase, and deliver groceries and household essentials ordered from Target and other retailers). The classification of workers as employees or independent contractors in particular is an area that is experiencing legal challenges and legislative changes. If our Shipt subsidiary is required to treat its independent contractor network as employees, it could result in higher compensation and benefit costs.

Changes in the legal or regulatory environment affecting information security, cybersecurity and data privacy, product safety, payment methods and related fees, responsible sourcing, supply chain transparency, or environmental protection, among others, could cause our expenses to increase without an ability to pass through any increased expenses through higher prices. In addition, if we fail to comply with other applicable laws and regulations, including the Foreign Corrupt Practices Act and local anti-bribery laws, we could be subject to reputation and legal risk, including government enforcement action and class action civil litigation, which could adversely affect our results of operations by increasing our costs, reducing our margins, and lowering our sales.

## Financial Risks

**Increases in our effective income tax rate could adversely affect our business, results of operations, liquidity, and net income.**

A number of factors influence our effective income tax rate, including changes in tax law and related regulations, tax treaties, interpretation of existing laws, and our ability to sustain our reporting positions on examination. Changes in any of those factors could change our effective tax rate, which could adversely affect our net income. In addition, our operations outside of the U.S. may cause greater volatility in our effective tax rate.

**If we are unable to access the capital markets or obtain bank credit, our financial position, liquidity, and results of operations could suffer.**

We are dependent on a stable, liquid, and well-functioning financial system to fund our operations and capital investments. Our continued access to financial markets depends on multiple factors including the condition of debt capital markets, our operating performance, and maintaining strong credit ratings. If rating agencies lower our credit ratings, it could adversely affect our ability to access the debt markets, our cost of funds, and other terms for new debt issuances. Each of the credit rating agencies reviews its rating periodically, and there is no guarantee our current credit rating will remain the same. In addition, we use a variety of derivative products to manage our exposure to market risk, principally interest rate fluctuations. Disruptions or turmoil in the financial markets could reduce our ability to fund our operations and capital investments, and lead to losses on derivative positions resulting from counterparty failures, which could adversely affect our financial position and results of operations.

## Item 1B. Unresolved Staff Comments

Not applicable.

## Item 2. Properties

| Stores as of January 30, 2021 | Stores | Retail Sq. Ft. (in thousands) | Stores as of January 30, 2021 | Stores | Retail Sq. Ft. (in thousands) |
|---|---|---|---|---|---|
| Alabama | 22 | 3,132 | Montana | 7 | 777 |
| Alaska | 3 | 504 | Nebraska | 14 | 2,005 |
| Arizona | 46 | 6,080 | Nevada | 18 | 2,262 |
| Arkansas | 9 | 1,165 | New Hampshire | 9 | 1,148 |
| California | 307 | 36,968 | New Jersey | 47 | 5,992 |
| Colorado | 42 | 6,244 | New Mexico | 10 | 1,185 |
| Connecticut | 21 | 2,731 | New York | 87 | 10,289 |
| Delaware | 3 | 440 | North Carolina | 51 | 6,540 |
| District of Columbia | 5 | 342 | North Dakota | 4 | 554 |
| Florida | 126 | 17,142 | Ohio | 64 | 7,829 |
| Georgia | 50 | 6,814 | Oklahoma | 15 | 2,167 |
| Hawaii | 7 | 1,111 | Oregon | 20 | 2,312 |
| Idaho | 6 | 664 | Pennsylvania | 75 | 9,094 |
| Illinois | 99 | 12,131 | Rhode Island | 4 | 517 |
| Indiana | 32 | 4,185 | South Carolina | 19 | 2,359 |
| Iowa | 21 | 2,859 | South Dakota | 5 | 580 |
| Kansas | 17 | 2,385 | Tennessee | 30 | 3,816 |
| Kentucky | 14 | 1,571 | Texas | 153 | 21,029 |
| Louisiana | 15 | 2,120 | Utah | 14 | 1,950 |
| Maine | 5 | 630 | Vermont | 1 | 60 |
| Maryland | 40 | 4,960 | Virginia | 60 | 7,754 |
| Massachusetts | 49 | 5,506 | Washington | 40 | 4,424 |
| Michigan | 53 | 6,286 | West Virginia | 6 | 755 |
| Minnesota | 73 | 10,315 | Wisconsin | 36 | 4,427 |
| Mississippi | 6 | 743 | Wyoming | 2 | 187 |
| Missouri | 35 | 4,608 | | | |
| | | | **Total** | **1,897** | **241,648** |

| Stores and Distribution Centers as of January 30, 2021 | Stores | Distribution Centers [(a)] |
|---|---|---|
| Owned | 1,526 | 34 |
| Leased | 214 | 10 |
| Owned buildings on leased land | 157 | — |
| **Total** | **1,897** | **44** |

(a) The 44 distribution centers have a total of 54.3 million square feet.

We own our corporate headquarters buildings located in and around Minneapolis, Minnesota, and we lease and own additional office space elsewhere in Minneapolis and the U.S. We also lease office space in other countries. Our properties are in good condition, well maintained, and suitable to carry on our business.

For additional information on our properties, see the Capital Expenditures section in MD&A and Notes 11 and 17 to Part II, Item 8, Financial Statements and Supplementary Data (the Financial Statements).

## Item 3. Legal Proceedings

The following proceedings are being reported pursuant to Item 103 of Regulation S-K:

The Federal Securities Law Class Actions and ERISA Class Actions described below relate to certain prior disclosures by Target about its expansion of retail operations into Canada (the Canada Disclosure).

### Federal Securities Law Class Actions

On May 17, 2016 and May 24, 2016, Target Corporation and certain present and former officers were named as defendants in two purported federal securities law class actions (the Federal Securities Law Class Actions) filed in the U.S. District Court for the District of Minnesota (the Court). The lead plaintiff filed a Consolidated Amended Class Action Complaint (First Complaint) on November 14, 2016, alleging violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 relating to the Canada Disclosure and naming Target, its former chief executive officer, its present chief operating officer, and the former president of Target Canada as defendants. On March 19, 2018, the Court denied the plaintiff's motion to alter or amend the final judgment issued on July 31, 2017, dismissing the Federal Securities Law Class Actions. On April 18, 2018, the plaintiff appealed the Court's final judgment. On April 10, 2020, the U.S. Court of Appeals for the Eighth Circuit (the Appeals Court) affirmed the prior decision by the Court dismissing the Federal Securities Law Class Actions. The plaintiffs did not seek further review, so this matter is now concluded.

### ERISA Class Actions

On July 12, 2016 and July 15, 2016, Target Corporation, the Plan Investment Committee and Target's current chief operating officer were named as defendants in two purported Employee Retirement Income Security Act of 1974 (ERISA) class actions filed in the Court. The plaintiffs filed an Amended Class Action Complaint (the First ERISA Class Action) on December 14, 2016, alleging violations of Sections 404 and 405 of ERISA relating to the Canada Disclosure and naming Target, the Plan Investment Committee, and seven present or former officers as defendants. The plaintiffs sought to represent a class consisting of all persons who were participants in or beneficiaries of the Target Corporation 401(k) Plan or the Target Corporation Ventures 401(k) Plan (collectively, the Plans) at any time between February 27, 2013 and May 19, 2014 and whose Plan accounts included investments in Target stock. The plaintiffs sought damages, an injunction and other unspecified equitable relief, and attorneys' fees, expenses, and costs, based on allegations that the defendants breached their fiduciary duties by failing to take action to prevent Plan participants from continuing to purchase Target stock during the class period at prices that allegedly were artificially inflated. After the Court dismissed the First ERISA Class Action on July 31, 2017, the plaintiffs filed a new ERISA Class Action (the Second ERISA Class Action) with the Court on August 30, 2017, which had substantially similar allegations, defendants, class representation, and damages sought as the First ERISA Class Action, except that the class period was extended to August 6, 2014. On June 15, 2018, the Court granted the motion by Target and the other defendants to dismiss the Second ERISA Class Action. On July 16, 2018, the plaintiffs appealed the Court's dismissal. On July 28, 2020, the Appeals Court affirmed the prior decision by the Court dismissing the Second ERISA Class Action. The plaintiffs did not seek further review, so this matter is now concluded.

## Item 4. Mine Safety Disclosures

Not applicable.

## Item 4A. Executive Officers

Executive officers are elected by, and serve at the pleasure of, the Board of Directors. There are no family relationships between any of the officers named and any other executive officer or member of the Board of Directors, or any arrangement or understanding pursuant to which any person was selected as an officer.

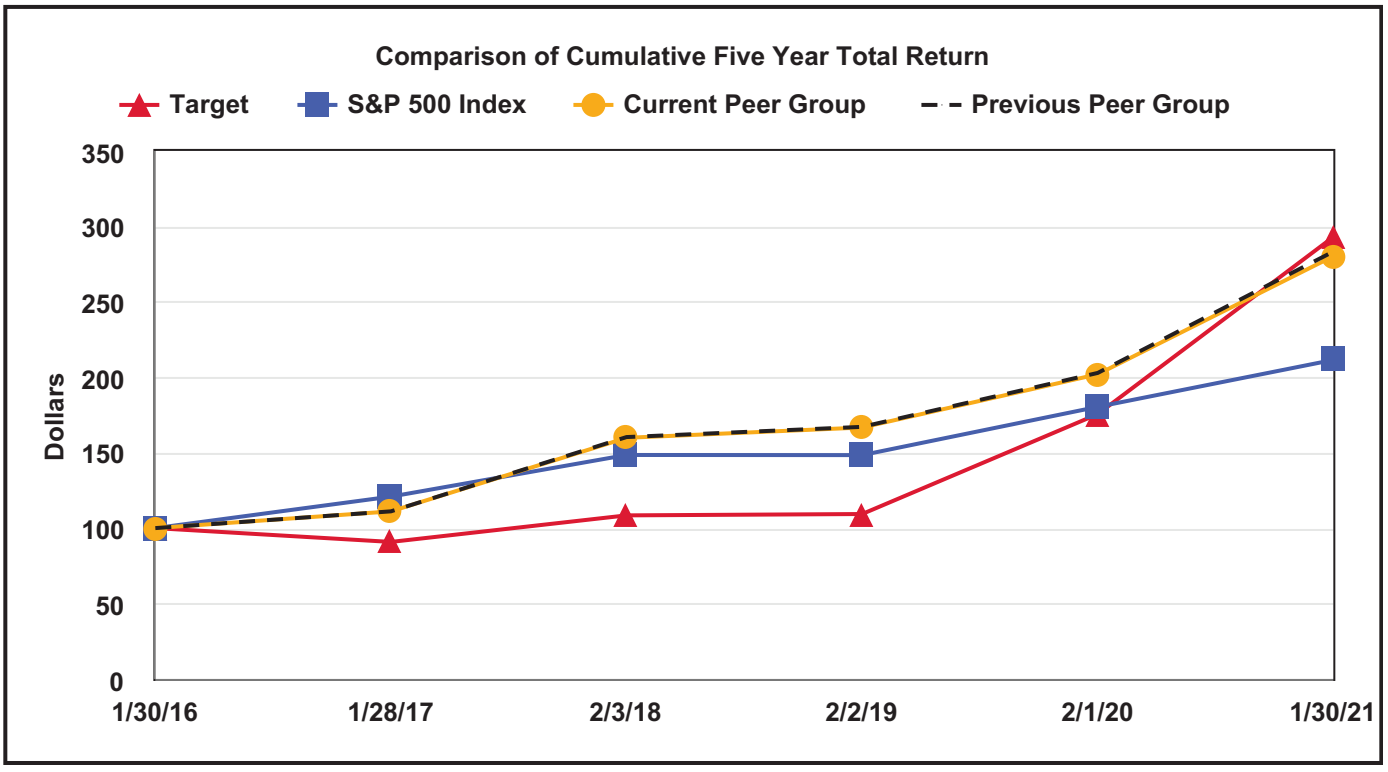
| Name | Title and Business Experience | Age |
|---|---|---|
| Katie M. Boylan | Executive Vice President and Chief Communications Officer since February 2021. Senior Vice President and Chief Communications Officer from January 2019 to February 2021. Senior Vice President, Communications from June 2017 to January 2019. Vice President, Communications from December 2015 to June 2017. | 44 |
| Brian C. Cornell | Chairman of the Board and Chief Executive Officer since August 2014. | 62 |
| Michael J. Fiddelke | Executive Vice President and Chief Financial Officer since November 2019. Senior Vice President, Operations from August 2018 to October 2019. Senior Vice President, Merchandising Capabilities from March 2017 to August 2018. Senior Vice President, Financial Planning & Analysis from July 2015 to March 2017. | 44 |
| Rick H. Gomez | Executive Vice President and Chief Food and Beverage Officer since February 2021. Executive Vice President and Chief Marketing, Digital & Strategy Officer from December 2019 to February 2021. Executive Vice President and Chief Marketing & Digital Officer from January 2019 to December 2019. Executive Vice President and Chief Marketing Officer from January 2017 to January 2019. Senior Vice President, Brand and Category Marketing from April 2013 to January 2017. | 51 |
| A. Christina Hennington | Executive Vice President and Chief Growth Officer since February 2021. Executive Vice President and Chief Merchandising Officer, Hardlines, Essentials and Capabilities from January 2020 to February 2021. Senior Vice President, Group Merchandise Manager, Essentials, Beauty, Hardlines and Services from January 2019 to January 2020. Senior Vice President, Merchandising Essentials, Beauty and Wellness from April 2017 to January 2019. Senior Vice President, Merchandising Transformation and Operations from August 2015 to April 2017. | 46 |
| Melissa K. Kremer | Executive Vice President and Chief Human Resources Officer since January 2019. Senior Vice President, Talent and Organizational Effectiveness from October 2017 to January 2019. Vice President, Human Resources, Merchandising, Strategy & Innovation, from September 2015 to October 2017. | 43 |
| Don H. Liu | Executive Vice President, Chief Legal & Risk Officer and Corporate Secretary since October 2017. Executive Vice President, Chief Legal Officer and Corporate Secretary from August 2016 to September 2017. Executive Vice President, General Counsel and Corporate Secretary of Xerox Corporation from July 2014 to August 2016. | 59 |
| Michael E. McNamara | Executive Vice President and Chief Information Officer since January 2019. Executive Vice President and Chief Information & Digital Officer from September 2016 to January 2019. Executive Vice President and Chief Information Officer from June 2015 to September 2016. | 56 |
| John J. Mulligan | Executive Vice President and Chief Operating Officer since September 2015. | 55 |
| Jill K. Sando | Executive Vice President and Chief Merchandising Officer since February 2021. Executive Vice President and Chief Merchandising Officer, Style and Owned Brands from January 2020 to February 2021. Senior Vice President, Group Merchandise Manager, Apparel & Accessories and Home from January 2019 to January 2020. Senior Vice President, Home from May 2014 to January 2019. | 52 |
| Mark J. Schindele | Executive Vice President and Chief Stores Officer since January 2020. Senior Vice President, Target Properties from January 2015 to January 2020. | 52 |
| Cara A. Sylvester | Executive Vice President and Chief Marketing & Digital Officer since February 2021. Senior Vice President, Home from March 2019 to February 2021. Vice President, Beauty & Dermstore from June 2017 to March 2019. From March 2014 to June 2017, Ms. Sylvester held different leadership positions in Housewares. | 43 |
| Laysha L. Ward | Executive Vice President and Chief External Engagement Officer since January 2017. Executive Vice President and Chief Corporate Social Responsibility Officer from December 2014 to January 2017. | 53 |

# PART II

## Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is listed on the New York Stock Exchange under the symbol "TGT." We are authorized to issue up to 6,000,000,000 shares of common stock, par value $0.0833, and up to 5,000,000 shares of preferred stock, par value $0.01. As of March 4, 2021, there were 13,760 shareholders of record. Dividends declared per share for the twelve months ended January 30, 2021, February 1, 2020, and February 2, 2019, are disclosed on our Consolidated Statements of Shareholders' Investment.

On September 19, 2019, our Board of Directors authorized a $5 billion share repurchase program with no stated expiration. We began repurchasing shares under the authorization during the first quarter of 2020. Under the program, we have repurchased 4.6 million shares of common at an average price of $105.80, for a total investment of $484 million. As of January 30, 2021, the dollar value of shares that may yet be purchased under the program is $4.5 billion. There were no Target common stock purchases made during the three months ended January 30, 2021, by Target or any "affiliated purchaser" of Target, as defined in Rule 10b-18(a)(3) under the Exchange Act.




| | Fiscal Years Ended | | | | | |
|---|---|---|---|---|---|---|
| | January 30, 2016 | January 28, 2017 | February 3, 2018 | February 2, 2019 | February 1, 2020 | January 30, 2021 |
| Target | $ 100.00 | $ 90.84 | $ 108.44 | $ 109.33 | $ 175.54 | $ 292.98 |
| S&P 500 Index | 100.00 | 120.87 | 148.47 | 148.38 | 180.37 | 211.48 |
| Current Peer Group | 100.00 | 111.09 | 159.84 | 166.68 | 201.97 | 280.21 |
| Previous Peer Group | 100.00 | 111.11 | 160.34 | 167.11 | 202.85 | 283.29 |

The graph above compares the cumulative total shareholder return on our common stock for the last five fiscal years with (i) the cumulative total return on the S&P 500 Index, (ii) the peer group used in previous filings consisting of 16 online, general merchandise, department store, food, and specialty retailers (Amazon.com, Inc., Best Buy Co., Inc., Costco Wholesale Corporation, CVS Health Corporation, Dollar General Corporation, Dollar Tree, Inc., The Home Depot, Inc., Kohl's Corporation, The Kroger Co., Lowe's Companies, Inc., Macy's, Inc., Nordstrom, Inc., Rite Aid Corporation, The TJX Companies, Inc., Walgreens Boots Alliance, Inc., and Walmart Inc.) (Previous Peer Group), and (iii) a new peer group consisting of the companies in the Previous Peer Group, plus Albertsons Companies, Inc., The Gap, Inc., and Ross Stores, Inc. (Current Peer Group). The Current Peer Group is consistent with the retail peer group used for our definitive Proxy Statement for the Annual Meeting of Shareholders to be held on June 9, 2021, excluding Publix Super Markets, Inc., which is not quoted on a public stock exchange.

The peer group is weighted by the market capitalization of each component company. The graph assumes the investment of $100 in Target common stock, the S&P 500 Index, and the Peer Group on January 29, 2016, and reinvestment of all dividends.

## Item 6. Selected Financial Data

Not applicable.

## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

### Executive Overview

While our business was materially affected by the COVID-19 pandemic, resulting in significantly higher sales and profits in 2020, the pandemic highlighted the importance of our multi-category portfolio and our decision to put our stores at the center of our strategy. In 2020, we continued to make strategic investments to support our durable operating and financial model that further differentiates Target and is designed to drive sustainable sales and profit growth. We have done this through an investment strategy focused on:

**Elevating the Shopping Experiences and Winning with High-Touch Service**

- We remodeled 132 stores during 2020.
- We opened 30 new stores, including 29 additional small format stores in key urban markets and on college campuses.
- We invested significantly in our team, including a $15/hour minimum hourly wage for US team members, recognition bonuses, and certain other benefits in light of the COVID-19 pandemic.
- We made significant investments in the health and safety of team members and guests.

**Curation at Scale**

- We continued the steady stream of newness and exclusives across our assortment and continued to introduce new owned brands. We expanded the assortment of our Food & Beverage owned brand, Good & Gather™, which launched in 2019 and has become our largest selling food brand.
- We announced a partnership with Ulta Beauty under which we will operate *Ulta Beauty at Target*, a shop-in-shop experience debuting on Target.com and in more than 100 Target locations beginning in 2021, with plans to scale to hundreds more over time.

**Delivering Ease and Convenience through Same-Day Services**

- We expanded our digital fulfillment capabilities, including fresh and frozen Food & Beverage products added to Order Pickup and Drive Up. During 2020, over 50 percent of our comparable digital sales growth was driven by same-day fulfillment options: Order Pickup, Drive Up, and delivery via Shipt.

### Financial Summary

2020 included the following notable items:

- GAAP diluted earnings per share were $8.64.
- Adjusted diluted earnings per share were $9.42.
- Total revenue increased 19.8 percent, driven by an increase in comparable sales.
- Comparable sales increased 19.3 percent, driven by a 15.0 percent increase in average transaction amount.
    - Comparable store originated sales grew 7.2 percent.
    - Comparable digital originated sales increased 145 percent.
- Operating income of $6.5 billion was 40.4 percent higher than the comparable prior-year period.
- We repurchased $1.77 billion of debt before its maturity at a market value of $2.25 billion, resulting in a loss of $512 million.

Sales were $92.4 billion for 2020, an increase of $15.3 billion, or 19.8 percent, from the prior year. Operating cash flow provided by continuing operations was $10.5 billion for 2020, an increase of $3.4 billion, or 48.3 percent, from $7.1 billion for 2019.

| Earnings Per Share From Continuing Operations | 2020 | 2019 | 2018 | Percent Change 2020/2019 | Percent Change 2019/2018 |
|---|---|---|---|---|---|
| GAAP diluted earnings per share | $ 8.64 | $ 6.34 | $ 5.50 | 36.3 % | 15.4 % |
| Adjustments | 0.78 | 0.05 | (0.10) | | |
| Adjusted diluted earnings per share | $ 9.42 | $ 6.39 | $ 5.39 | 47.4 % | 18.4 % |

Note: Amounts may not foot due to rounding. Adjusted diluted earnings per share from continuing operations (Adjusted EPS), a non-GAAP metric, excludes the impact of certain items. Management believes that Adjusted EPS is useful in providing period-to-period comparisons of the results of our continuing operations. A reconciliation of non-GAAP financial measures to GAAP measures is provided on page 23.

We report after-tax return on invested capital (ROIC) from continuing operations because we believe ROIC provides a meaningful measure of our capital-allocation effectiveness over time. For the trailing twelve months ended January 30, 2021, after-tax ROIC was 23.5 percent, compared with 16.0 percent for the trailing twelve months ended February 1, 2020. The calculation of ROIC is provided on page 24.

**COVID-19**

On March 11, 2020, the World Health Organization declared the novel coronavirus disease (COVID-19) a pandemic, and on March 13, 2020, the United States declared a national emergency. The rapid development and fluidity of this situation limits our ability to predict the ultimate impact of COVID-19 on our business, financial condition and financial performance, which has been and could continue to be material. States and local governments have taken various measures in response to COVID-19, including mandating the closure of certain businesses and encouraging or requiring citizens to avoid large gatherings. We have implemented numerous safety measures to protect our guests and team members — such as mandating face masks for all team members and guests in our stores, more rigorous cleaning processes, providing disposable face masks, gloves and thermometers for team members, installing distancing markers at stores, limiting guest levels within our stores, and installing partitions at all stores. To date, virtually all of our stores, digital channels, and distribution centers have remained open.

As the pandemic has evolved, we have experienced unusually strong sales, as guests rely on Target for essential items like food, medicine, cleaning products, and household stock-up items, as well as merchandise associated with guests spending more time at home. Underlying this trend, we saw significant volatility in our sales mix, including both category and channel sales mix and same-day fulfillment options.

- During the first quarter, comparable sales increased 10.8 percent, reflecting a 0.9 percent increase in store originated comparable sales and a 141 percent increase in digitally originated comparable sales. The quarter began with strength across our multi-category portfolio, followed by a shift to strong comparable sales growth in our Food & Beverage and Beauty & Household Essentials core merchandising categories and significant comparable sales declines in Apparel & Accessories. Comparable sales in Apparel & Accessories recovered notably beginning mid-April.
- During the second through fourth quarters, comparable sales increased 21.7 percent, reflecting store originated comparable sales growth of 9.1 percent, and an increase in digitally originated comparable sales of 146 percent. Comparable sales growth was strong across our multi-category portfolio, with slightly higher growth in lower-margin categories.

For the year ended January 30, 2021, gross margin was negatively impacted by changes in both our category and channel sales mix. Additionally, gross margin reflects the portion of investments in pay and benefits classified within Cost of Sales. Exceptionally low clearance and promotional markdown rates partially offset these pressures.

Our SG&A expenses include significant incremental costs related to investments in pay and benefits for store team members, the spikes in merchandise volume in stores and the supply chain, incremental safety and cleaning supplies, and the impact of additional team member hours dedicated to more rigorous cleaning routines in our facilities. From an SG&A expense rate perspective, these incremental costs were more than offset by cost leverage resulting from exceptionally strong sales growth.

To support our team and minimize potential disruptions in their work to serve our guests, we modified our plans for some of our strategic initiatives, including our previously announced remodel program. We completed 132 remodels

in 2020, down from the previous expectation of approximately 300. Similarly, we opened 29 new small format stores in 2020, rather than the 36 previously announced.

During the first quarter 2020, we issued $2.5 billion of 5-year and 10-year notes in an effort to increase our cash on hand. Additionally, we entered into a $900 million 364-day credit facility, increasing our total undrawn committed credit facilities to $3.4 billion. Our operating performance during the second and third quarters of 2020 and financial position allowed us to repurchase $1.77 billion of debt before its maturity at a market value of $2.25 billion in October 2020 and terminate the 364-day credit facility in November 2020. Note 17 to the Consolidated Financial Statements and the Liquidity and Capital Resources section provide additional information.

### Sale of Dermstore

In February 2021, we sold Dermstore LLC (Dermstore) for approximately $350 million, subject to working capital and other closing adjustments. We expect to recognize a pre-tax gain in excess of $300 million in the first quarter of 2021. Dermstore represented less than 1 percent of our consolidated revenues, operating income and net assets.

## Analysis of Results of Operations

| Summary of Operating Income | | | | Percent Change | |
|---|---|---|---|---|---|
| (dollars in millions) | 2020 | 2019 | 2018 | 2020/2019 | 2019/2018 |
| Sales | $ 92,400 | $ 77,130 | $ 74,433 | 19.8 % | 3.6 % |
| Other revenue | 1,161 | 982 | 923 | 18.2 | 6.3 |
| Total revenue | 93,561 | 78,112 | 75,356 | 19.8 | 3.7 |
| Cost of sales | 66,177 | 54,864 | 53,299 | 20.6 | 2.9 |
| SG&A expenses | 18,615 | 16,233 | 15,723 | 14.7 | 3.2 |
| Depreciation and amortization (exclusive of depreciation included in cost of sales) | 2,230 | 2,357 | 2,224 | (5.4) | 6.0 |
| Operating income | $ 6,539 | $ 4,658 | $ 4,110 | 40.4 % | 13.3 % |

| Rate Analysis | 2020 | 2019 | 2018 |
|---|---|---|---|
| Gross margin rate | 28.4 % | 28.9 % | 28.4 % |
| SG&A expense rate | 19.9 | 20.8 | 20.9 |
| Depreciation and amortization (exclusive of depreciation included in cost of sales) expense rate | 2.4 | 3.0 | 3.0 |
| Operating income margin rate | 7.0 | 6.0 | 5.5 |

Note: Gross margin rate is calculated as gross margin (sales less cost of sales) divided by sales. All other rates are calculated by dividing the applicable amount by total revenue.

A discussion regarding Results of Operations and Analysis of Financial Condition for the year ended February 1, 2020, as compared to the year ended February 2, 2019, is included in Part II, Item 7, MD&A to our Annual Report on Form 10-K for the fiscal year ended February 1, 2020.

## Sales

Sales include all merchandise sales, net of expected returns, and our estimate of gift card breakage. Note 3 to the Financial Statements defines gift card "breakage." We use comparable sales to evaluate the performance of our stores and digital channel sales by measuring the change in sales for a period over the comparable, prior-year period of equivalent length. Comparable sales include all sales, except sales from stores open less than 13 months, digital acquisitions we have owned less than 13 months, stores that have been closed, and digital acquisitions that we no longer operate. Comparable sales measures vary across the retail industry. As a result, our comparable sales calculation is not necessarily comparable to similarly titled measures reported by other companies. Digitally originated sales include all sales initiated through mobile applications and our websites. Our stores fulfill the majority of digitally originated sales, including shipment from stores to guests, store Order Pickup or Drive Up, and delivery via Shipt. Digitally originated sales may also be fulfilled through our distribution centers, our vendors, or other third parties.

Sales growth – from both comparable sales and new stores – represents an important driver of our long-term profitability. We expect that comparable sales growth will drive the majority of our total sales growth. We believe that our ability to successfully differentiate our guests' shopping experience through a careful combination of merchandise assortment, price, convenience, guest experience, and other factors will over the long-term drive both increasing shopping frequency (traffic) and the amount spent each visit (average transaction amount).

The increase in 2020 sales compared to 2019 is due to a 19.3 percent comparable sales increase and the contribution from new stores. The COVID-19 pandemic has affected the amount and mix of sales across channels and categories.

| **Comparable Sales** | 2020 | 2019 | 2018 |
|---|---|---|---|
| Comparable sales change | 19.3 % | 3.4 % | 5.0 % |
| Drivers of change in comparable sales | | | |
| Number of transactions | 3.7 | 2.7 | 5.0 |
| Average transaction amount | 15.0 | 0.7 | 0.1 |

| **Contribution to Comparable Sales Change** | 2020 | 2019 | 2018 |
|---|---|---|---|
| Stores originated channel comparable sales change | 7.2 % | 1.4 % | 3.2 % |
| Contribution from digitally originated sales to comparable sales | 12.1 | 1.9 | 1.8 |
| Total comparable sales change | 19.3 % | 3.4 % | 5.0 % |

Note: Amounts may not foot due to rounding.

| **Sales by Channel** | 2020 | 2019 | 2018 |
|---|---|---|---|
| Stores originated | 82.1 % | 91.2 % | 92.9 % |
| Digitally originated | 17.9 | 8.8 | 7.1 |
| Total | 100 % | 100 % | 100 % |

| Sales by Product Category | 2020 | 2019 | 2018 |
|---|---|---|---|
| Apparel and accessories | 16 % | 19 % | 18 % |
| Beauty and household essentials | 26 | 27 | 26 |
| Food and beverage | 20 | 19 | 20 |
| Hardlines | 18 | 16 | 17 |
| Home furnishings and décor | 20 | 19 | 19 |
| Total | 100 % | 100 % | 100 % |

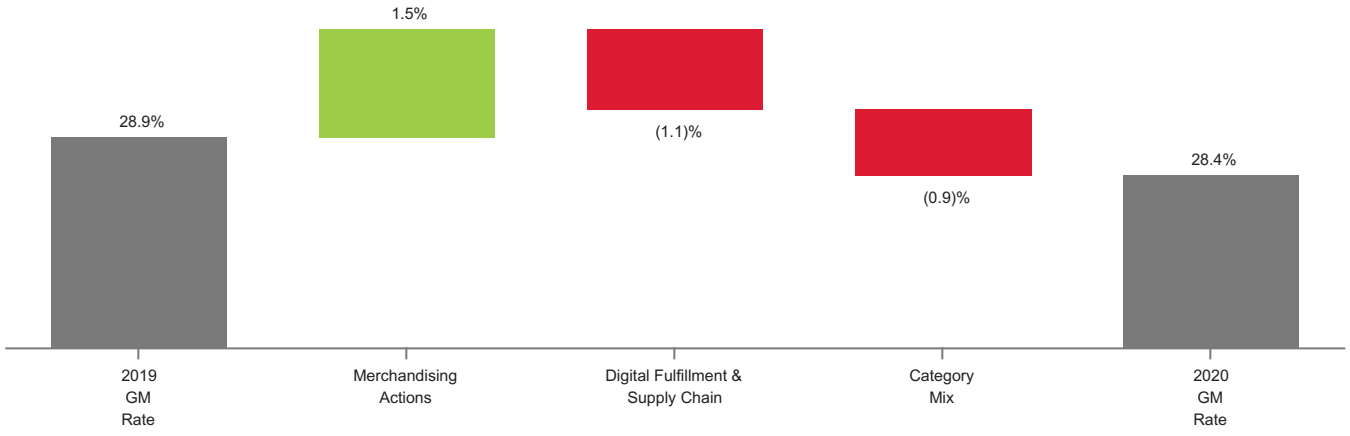
Note 3 to the Financial Statements provides additional product category sales information. The collective interaction of a broad array of macroeconomic, competitive, and consumer behavioral factors, as well as sales mix, and transfer of sales to new stores makes further analysis of sales metrics infeasible.

TD Bank Group offers credit to qualified guests through Target-branded credit cards: the Target Credit Card and the Target MasterCard Credit Card (Target Credit Cards). Additionally, we offer a branded proprietary Target Debit Card. Collectively, we refer to these products as RedCards™. We monitor the percentage of purchases that are paid for using RedCards (RedCard Penetration) because our internal analysis has indicated that a meaningful portion of incremental purchases on our RedCards are also incremental sales for Target. Guests receive a 5 percent discount on virtually all purchases when they use a RedCard at Target. RedCard sales increased for all years presented below; however, RedCard penetration declined as total Sales increased at a faster pace.

| RedCard Penetration | 2020 | 2019 | 2018 |
|---|---|---|---|
| Target Debit Card | 12.3 % | 12.6 % | 13.0 % |
| Target Credit Cards | 9.2 | 10.7 | 10.9 |
| Total RedCard Penetration | 21.5 % | 23.3 % | 23.8 % |

Note: Amounts may not foot due to rounding.

**Gross Margin Rate**




Our gross margin rate was 28.4 percent in 2020 and 28.9 percent in 2019. This decrease reflected increased digital fulfillment and supply chain costs (stemming from unusually strong growth in digital volume combined with the impact of higher pay and benefit costs classified within Cost of Sales) and the impact of category sales mix, as sales growth was strongest in lower-margin categories. The decrease was partially offset by the net impact of merchandising actions, most notably the benefit of exceptionally low clearance and promotional markdown rates.

### Selling, General and Administrative (SG&A) Expense Rate

Our SG&A expense rate was 19.9 percent in 2020 and 20.8 percent in 2019. Incremental team member pay and benefits and investments to protect the health and safety of guests represented approximately $1.5 billion of the $2.4 billion increase in SG&A expenses for the year ended January 30, 2021, compared with the prior-year periods. From a rate perspective, these increased costs were more than offset by leverage resulting from strong revenue growth.

### Store Data

| Change in Number of Stores | 2020 | 2019 |
|---|---|---|
| Beginning store count | 1,868 | 1,844 |
| Opened | 30 | 26 |
| Closed | (1) | (2) |
| Ending store count | 1,897 | 1,868 |

| Number of Stores and Retail Square Feet | Number of Stores | | Retail Square Feet [(a)] | |
|---|---|---|---|---|
| | January 30, 2021 | February 1, 2020 | January 30, 2021 | February 1, 2020 |
| 170,000 or more sq. ft. | 273 | 272 | 48,798 | 48,619 |
| 50,000 to 169,999 sq. ft. | 1,509 | 1,505 | 189,508 | 189,227 |
| 49,999 or less sq. ft. | 115 | 91 | 3,342 | 2,670 |
| Total | 1,897 | 1,868 | 241,648 | 240,516 |

(a) In thousands, reflects total square feet less office, distribution center, and vacant space.

## Other Performance Factors

### Net Interest Expense

Net interest expense from continuing operations was $977 million and $477 million for 2020 and 2019, respectively. The increase was primarily due to a $512 million loss on early retirement of debt in 2020.

### Provision for Income Taxes

Our 2020 effective income tax rate from continuing operations was 21.2 percent compared with 22.0 percent in 2019. The effective tax rate for 2020 reflects a larger rate benefit from discrete items, primarily related to share-based payments and resolution of certain income tax matters, partially offset by the rate impact of higher earnings, compared with the prior year.

Note 19 to the Financial Statements provides additional information.

## Reconciliation of Non-GAAP Financial Measures to GAAP Measures

To provide additional transparency, we have disclosed non-GAAP adjusted diluted earnings per share from continuing operations (Adjusted EPS). This metric excludes certain items presented below. We believe this information is useful in providing period-to-period comparisons of the results of our continuing operations. This measure is not in accordance with, or an alternative to, generally accepted accounting principles in the U.S. (GAAP). The most comparable GAAP measure is diluted earnings per share from continuing operations. Adjusted EPS should not be considered in isolation or as a substitution for analysis of our results as reported in accordance with GAAP. Other companies may calculate Adjusted EPS differently than we do, limiting the usefulness of the measure for comparisons with other companies.

| **Reconciliation of Non-GAAP Adjusted EPS** | 2020 | | | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|---|---|---|
| (millions, except per share data) | Pretax | Net of Tax | Per Share Amounts | Pretax | Net of Tax | Per Share Amounts | Pretax | Net of Tax | Per Share Amounts |
| GAAP diluted earnings per share from continuing operations | | | $ 8.64 | | | $ 6.34 | | | $ 5.50 |
| Adjustments | | | | | | | | | |
| Loss on debt extinguishment | $ 512 | $ 379 | $ 0.75 | $ 10 | $ 8 | $ 0.01 | $ — | $ — | $ — |
| Loss on investment [(a)] | 19 | 14 | 0.03 | 41 | 31 | 0.06 | — | — | — |
| Tax Act [(b)] | — | — | — | — | — | — | — | (36) | (0.07) |
| Other [(c)] | 28 | 20 | 0.04 | (17) | (13) | (0.02) | — | — | — |
| Other income tax matters [(d)] | — | (21) | (0.04) | — | — | — | — | (18) | (0.03) |
| Adjusted diluted earnings per share from continuing operations | | | $ 9.42 | | | $ 6.39 | | | $ 5.39 |

Note: Amounts may not foot due to rounding.

(a) Represents a loss on our investment in Casper Sleep Inc. (Casper), which is not core to our continuing operations.

(b) Represents discrete items related to the Tax Act. Refer to Note 19 to the Financial Statements.

(c) For 2020, includes store damage and inventory losses related to civil unrest, net of insurance recoveries. For 2019, represents insurance recoveries related to the 2013 data breach.

(d) Represents benefits from the resolution of certain income tax matters unrelated to current period operations.

Earnings from continuing operations before interest expense and income taxes (EBIT) and earnings from continuing operations before interest expense, income taxes, depreciation, and amortization (EBITDA) are non-GAAP financial measures. We believe these measures provide meaningful information about our operational efficiency compared with our competitors by excluding the impact of differences in tax jurisdictions and structures, debt levels, and for EBITDA, capital investment. These measures are not in accordance with, or an alternative to, GAAP. The most comparable GAAP measure is net earnings from continuing operations. EBIT and EBITDA should not be considered in isolation or as a substitution for analysis of our results as reported in accordance with GAAP. Other companies may calculate EBIT and EBITDA differently, limiting the usefulness of the measures for comparisons with other companies.

| **EBIT and EBITDA** | | | | Percent Change | |
|---|---|---|---|---|---|
| (dollars in millions) | 2020 | 2019 | 2018 | 2020/2019 | 2019/2018 |
| Net earnings from continuing operations | $ 4,368 | $ 3,269 | $ 2,930 | 33.6 % | 11.6 % |
| + Provision for income taxes | 1,178 | 921 | 746 | 27.9 | 23.4 |
| + Net interest expense | 977 | 477 | 461 | 105.1 | 3.3 |
| EBIT | $ 6,523 | $ 4,667 | $ 4,137 | 39.8 % | 12.8 % |
| + Total depreciation and amortization [(a)] | 2,485 | 2,604 | 2,474 | (4.6) | 5.3 |
| EBITDA | $ 9,008 | $ 7,271 | $ 6,611 | 23.9 % | 10.0 % |

(a) Represents total depreciation and amortization, including amounts classified within Depreciation and Amortization and within Cost of Sales.

We have also disclosed after-tax ROIC, which is a ratio based on GAAP information, with the exception of the add-back of operating lease interest to operating income. We believe this metric is useful in assessing the effectiveness of our capital allocation over time. Other companies may calculate ROIC differently, limiting the usefulness of the measure for comparisons with other companies.

**After-Tax Return on Invested Capital**

(dollars in millions)

| | Trailing Twelve Months | |
|---|---|---|
| ***Numerator*** | January 30, 2021 | February 1, 2020 |
| Operating income | $ 6,539 | $ 4,658 |
| + Net other income / (expense) | (16) | 9 |
| EBIT | 6,523 | 4,667 |
| + Operating lease interest [(a)] | 87 | 86 |
| - Income taxes [(b)] | 1,404 | 1,045 |
| **Net operating profit after taxes** | **$ 5,206** | **$ 3,708** |

| ***Denominator*** | January 30, 2021 | February 1, 2020 | February 2, 2019 |
|---|---|---|---|
| Current portion of long-term debt and other borrowings | $ 1,144 | $ 161 | $ 1,052 |
| + Noncurrent portion of long-term debt | 11,536 | 11,338 | 10,223 |
| + Shareholders' investment | 14,440 | 11,833 | 11,297 |
| + Operating lease liabilities [(c)] | 2,429 | 2,475 | 2,170 |
| - Cash and cash equivalents | 8,511 | 2,577 | 1,556 |
| Invested capital | $ 21,038 | $ 23,230 | $ 23,186 |
| **Average invested capital [(d)]** | **$ 22,134** | **$ 23,208** | |

| | | |
|---|---|---|
| **After-tax return on invested capital** | **23.5 %** | **16.0 %** |

[(a)] Represents the add-back to operating income driven by the hypothetical interest expense we would incur if the property under our operating leases were owned or accounted for as finance leases. Calculated using the discount rate for each lease and recorded as a component of rent expense within SG&A Expenses. Operating lease interest is added back to operating income in the ROIC calculation to control for differences in capital structure between us and our competitors.

[(b)] Calculated using the effective tax rates for continuing operations, which were 21.2 percent and 22.0 percent for the trailing twelve months ended January 30, 2021, and February 1, 2020, respectively. For the trailing twelve months ended January 30, 2021, and February 1, 2020, includes tax effect of $1.4 billion and $1.0 billion, respectively, related to EBIT, and $18 million and $19 million, respectively, related to operating lease interest.

[(c)] Total short-term and long-term operating lease liabilities included within Accrued and Other Current Liabilities and Noncurrent Operating Lease Liabilities, respectively.

[(d)] Average based on the invested capital at the end of the current period and the invested capital at the end of the comparable prior period.

# Analysis of Financial Condition

## Liquidity and Capital Resources

*Capital Allocation*

We follow a disciplined and balanced approach to capital allocation based on the following priorities, ranked in order of importance: first, we fully invest in opportunities to profitably grow our business, create sustainable long-term value, and maintain our current operations and assets; second, we maintain a competitive quarterly dividend and seek to grow it annually; and finally, we return any excess cash to shareholders by repurchasing shares within the limits of our credit rating goals.

In response to COVID-19, we suspended our share repurchase program in March 2020. In November 2020, we lifted the share repurchase suspension and, in February 2021, began repurchasing shares. We believe our sources of liquidity will continue to be adequate to maintain operations, finance anticipated expansion and strategic initiatives, fund debt maturities, pay dividends, and execute purchases under our share repurchase program for the foreseeable future. We continue to anticipate ample access to commercial paper and long-term financing.

Our period-end cash and cash equivalents balance increased to $8.5 billion from $2.6 billion in 2019. Our cash and cash equivalents balance includes short-term investments of $7.6 billion and $1.8 billion as of January 30, 2021, and February 1, 2020, respectively. Our investment policy is designed to preserve principal and liquidity of our short-term investments. This policy allows investments in large money market funds or in highly rated direct short-term instruments that mature in 60 days or less. We also place dollar limits on our investments in individual funds or instruments.

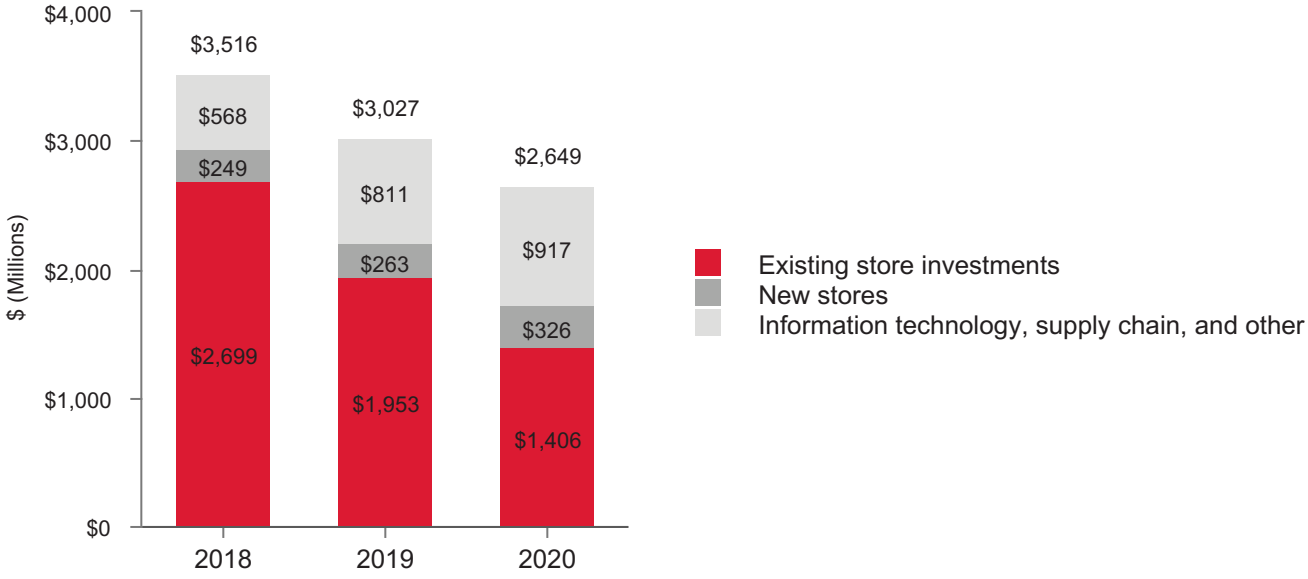
*Operating Cash Flows*

Operating cash flow provided by continuing operations was $10.5 billion in 2020 compared with $7.1 billion in 2019. The increase reflects stronger operating performance combined with higher payables leverage during 2020 due to increased inventory turnover driven by strong sales, compared with 2019. Additionally, operating cash flows for 2020 reflect increased payroll-related liabilities, including the deferral of employer social security tax payments and higher incentive compensation.

*Inventory*

Year-end inventory was $10.7 billion, compared with $9.0 billion in 2019. Inventory levels were higher as of January 30, 2021, compared with February 1, 2020, reflecting efforts to align inventory with sales trends.

*Capital Expenditures*




Capital expenditures decreased in 2020 from the prior year as we modified plans for some of our strategic initiatives, including store remodels and new store openings, as a result of COVID-19. We have completed over 800 remodels since the launch of the current program in 2017, including 132 in 2020. We expect to complete 150 full-store remodels and open 30 to 40 new stores during 2021.

In addition to these cash investments, we entered into leases related to new stores in 2020, 2019, and 2018 with total future minimum lease payments of $764 million, $669 million, and $473 million, respectively, and new leases related to our supply chain with total future minimum lease payments of $442 million, $185 million, and $11 million, respectively.

We expect capital expenditures in 2021 of approximately $4.0 billion to support remodels, new stores, and supply chain projects to add replenishment capacity and modernize the network, including sortation centers. Beyond full-store remodels, we will invest in optimizing front-end space in our highest-volume locations, increasing the efficiency of our Pickup and Drive Up services, as well as the build-out of Ulta Beauty shop-in-shops. We also expect to continue to invest in new store and supply chain leases.

*Dividends*

We paid dividends totaling $1.3 billion ($2.68 per share) in 2020 and $1.3 billion ($2.60 per share) in 2019, a per share increase of 3.1 percent. We declared dividends totaling $1.4 billion ($2.70 per share) in 2020 and $1.3 billion ($2.62 per share) in 2019, a per share increase of 3.1 percent. We have paid dividends every quarter since our 1967 initial public offering and it is our intent to continue to do so in the future.

*Share Repurchases*

During 2020 and 2019 we returned $609 million and $1.5 billion, respectively, to shareholders through share repurchase. See Part II, Item 5, Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities of this Annual Report on Form 10-K and Note 21 to the Financial Statements for more information.

*Financing*

Our financing strategy is to ensure liquidity and access to capital markets, to maintain a balanced spectrum of debt maturities, and to manage our net exposure to floating interest rate volatility. Within these parameters, we seek to minimize our borrowing costs. Our ability to access the long-term debt and commercial paper markets has provided us with ample sources of liquidity. Our continued access to these markets depends on multiple factors, including the condition of debt capital markets, our operating performance, and maintaining strong credit ratings. As of January 30, 2021, our credit ratings were as follows:

| Credit Ratings | Moody's | Standard and Poor's | Fitch |
|---|---|---|---|
| Long-term debt | A2 | A | A- |
| Commercial paper | P-1 | A-1 | F1 |

If our credit ratings were lowered, our ability to access the debt markets, our cost of funds, and other terms for new debt issuances could be adversely impacted. Each of the credit rating agencies reviews its rating periodically and there is no guarantee our current credit ratings will remain the same as described above.

In 2020, we funded our holiday sales period working capital needs through internally generated funds. In 2019, we funded our holiday sales period working capital needs through internally generated funds and the issuance of commercial paper.

We have additional liquidity through a committed $2.5 billion revolving credit facility obtained through a group of banks, which expires in October 2023. No balances were outstanding at any time during 2020 or 2019.

Most of our long-term debt obligations contain covenants related to secured debt levels. In addition to a secured debt level covenant, our credit facility also contains a debt leverage covenant. We are, and expect to remain, in compliance with these covenants. Additionally, as of January 30, 2021, no notes or debentures contained provisions requiring acceleration of payment upon a credit rating downgrade, except that certain outstanding notes allow the note holders to put the notes to us if within a matter of months of each other we experience both (i) a change in control and (ii) our long-term credit ratings are either reduced and the resulting rating is non-investment grade, or our long-term credit ratings are placed on watch for possible reduction and those ratings are subsequently reduced and the resulting rating is non-investment grade.

Note 16 to the Financial Statements provides additional information.

**Critical Accounting Estimates**

Our consolidated financial statements are prepared in accordance with GAAP, which requires us to make estimates and apply judgments that affect the reported amounts. In the Notes to Consolidated Financial Statements, we describe the significant accounting policies used in preparing the consolidated financial statements. Our management has discussed the development, selection, and disclosure of our critical accounting estimates with the Audit & Finance Committee of our Board of Directors. The following items require significant estimation or judgment:

*Inventory and cost of sales:* The vast majority of our inventory is accounted for under the retail inventory accounting method using the last-in, first-out method (LIFO). Our inventory is valued at the lower of LIFO cost or market. We reduce inventory for estimated losses related to shrink and markdowns. Our shrink estimate is based on historical losses verified by physical inventory counts. Historically, our actual physical inventory count results have shown our estimates to be reliable. Market adjustments for markdowns are recorded when the salability of the merchandise has diminished. Salability can be impacted by consumer preferences and seasonality, among other factors. We believe the risk of inventory obsolescence is largely mitigated because our inventory typically turns in less than three months. Inventory was $10.7 billion and $9.0 billion as of January 30, 2021, and February 1, 2020, respectively, and is further described in Note 9 to the Financial Statements.

*Vendor income:* We receive various forms of consideration from our vendors (vendor income), principally earned as a result of volume rebates, markdown allowances, promotions, and advertising allowances. Substantially all vendor income is recorded as a reduction of cost of sales. Vendor income earned can vary based on a number of factors, including purchase volumes, sales volumes, and our pricing and promotion strategies.

We establish a receivable for vendor income that is earned but not yet received. Based on historical trending and data, this receivable is computed by forecasting vendor income collections and estimating the amount earned. The majority of the year-end vendor income receivables are collected within the following fiscal quarter, and we do not believe there is a reasonable likelihood that the assumptions used in our estimate will change significantly. Historically, adjustments to our vendor income receivable have not been material. Vendor income receivable was $504 million and $464 million as of January 30, 2021, and February 1, 2020, respectively. Vendor income is described further in Note 5 to the Financial Statements.

*Long-lived assets:* Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. The evaluation is performed primarily at the store level. An impairment loss would be recognized when estimated undiscounted future cash flows from the operation and/or eventual disposition of the asset or asset group is less than its carrying amount, and is measured as the excess of its carrying amount over fair value. We estimate fair value by obtaining market appraisals, obtaining valuations from third-party brokers, or using other valuation techniques. We recorded impairments of $62 million, $23 million, and $92 million in 2020, 2019, and 2018, respectively, which are described further in Note 11 to the Financial Statements.

*Insurance/self-insurance:* We retain a substantial portion of the risk related to certain general liability, workers' compensation, property loss, and team member medical and dental claims. However, we maintain stop-loss coverage to limit the exposure related to certain risks. Liabilities associated with these losses include estimates of both claims filed and losses incurred but not yet reported. We use actuarial methods which consider a number of factors to estimate our ultimate cost of losses. General liability and workers' compensation liabilities are recorded based on our estimate of their net present value; other liabilities referred to above are not discounted. Our workers' compensation and general liability accrual was $510 million and $465 million as of January 30, 2021, and February 1, 2020, respectively. We believe that the amounts accrued are appropriate; however, our liabilities could be significantly affected if future occurrences or loss developments differ from our assumptions. For example, a 5 percent increase or decrease in average claim costs would have impacted our self-insurance expense by $25 million in 2020. Historically, adjustments to our estimates have not been material. Refer to Part II, Item 7A, Quantitative and Qualitative Disclosures About Market Risk, for further disclosure of the market risks associated with these exposures. We maintain insurance coverage to limit our exposure to certain events, including network security matters.

*Income taxes:* We pay income taxes based on the tax statutes, regulations, and case law of the various jurisdictions in which we operate. Significant judgment is required in determining the timing and amounts of deductible and taxable items, and in evaluating the ultimate resolution of tax matters in dispute with tax authorities. The benefits of uncertain tax positions are recorded in our financial statements only after determining it is likely the uncertain tax positions would withstand challenge by taxing authorities. We periodically reassess these probabilities and record any changes in the financial statements as appropriate. Liabilities for uncertain tax positions, including interest and penalties, were $193 million and $188 million as of January 30, 2021, and February 1, 2020, respectively. We believe the resolution of these matters will not have a material adverse impact on our consolidated financial statements. Income taxes are described further in Note 19 to the Financial Statements.

*Pension accounting:* We maintain a funded qualified defined benefit pension plan, as well as nonqualified and international pension plans that are generally unfunded, for certain current and retired team members. The costs for these plans are determined based on actuarial calculations using the assumptions described in the following paragraphs. Eligibility and the level of benefits vary depending on each team member's full-time or part-time status, date of hire, age, length of service, and/or compensation. The benefit obligation and related expense for these plans are determined based on actuarial calculations using assumptions about the expected long-term rate of return, the discount rate, compensation growth rates, mortality, and retirement age. These assumptions, with adjustments made for any significant plan or participant changes, are used to determine the period-end benefit obligation and establish expense for the next year.

Our 2020 expected long-term rate of return on plan assets of 6.10 percent was determined by the portfolio composition, historical long-term investment performance, and current market conditions. A 1 percentage point decrease in our expected long-term rate of return would increase annual expense by $40 million.

The discount rate used to determine benefit obligations is adjusted annually based on the interest rate for long-term high-quality corporate bonds, using yields for maturities that are in line with the duration of our pension liabilities.

Our benefit obligation and related expense will fluctuate with changes in interest rates. A 1 percentage point decrease to the weighted average discount rate would increase annual expense by $59 million.

Based on our experience, we use a graduated compensation growth schedule that assumes higher compensation growth for younger, shorter-service pension-eligible team members than it does for older, longer-service pension-eligible team members.

Pension benefits are further described in Note 24 to the Financial Statements.

*Legal and other contingencies:* We believe the accruals recorded in our consolidated financial statements properly reflect loss exposures that are both probable and reasonably estimable. We do not believe any of the currently identified claims or litigation may materially affect our results of operations, cash flows, or financial condition. However, litigation is subject to inherent uncertainties, and unfavorable rulings could occur. If an unfavorable ruling were to occur, it may cause a material adverse impact on the results of operations, cash flows, or financial condition for the period in which the ruling occurs, or future periods. Refer to Note 15 to the Financial Statements for further information on contingencies.

## New Accounting Pronouncements

We do not expect that any recently issued accounting pronouncements will have a material effect on our financial statements.

## Forward-Looking Statements

This report contains forward-looking statements, which are based on our current assumptions and expectations. These statements are typically accompanied by the words "expect," "may," "could," "believe," "would," "might," "anticipates," or similar words. The principal forward-looking statements in this report include: our financial performance, statements regarding the adequacy of and costs associated with our sources of liquidity, the funding of debt maturities, the continued execution of our share repurchase program, our expected capital expenditures and new lease commitments, the expected compliance with debt covenants, the expected impact of new accounting pronouncements, our intentions regarding future dividends, contributions and payments related to our pension plan, the expected return on plan assets, the expected timing and recognition of compensation expenses, the effects of macroeconomic conditions, the adequacy of our reserves for general liability, workers' compensation and property loss, the expected outcome of, and adequacy of our reserves for claims, litigation and the resolution of tax matters, our expectations regarding our contractual obligations, liabilities, and vendor income, the expected ability to recognize deferred tax assets and liabilities and the timing of such recognition, the expected impact of changes in information technology systems, future responses to and effects of the COVID-19 pandemic, and changes in our assumptions and expectations.

All such forward-looking statements are intended to enjoy the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, as amended. Although we believe there is a reasonable basis for the forward-looking statements, our actual results could be materially different. The most important factors which could cause our actual results to differ from our forward-looking statements are set forth on our description of risk factors included in Part I, Item 1A, Risk Factors to this Form 10-K, which should be read in conjunction with the forward-looking statements in this report. Forward-looking statements speak only as of the date they are made, and we do not undertake any obligation to update any forward-looking statement.

## Item 7A. Quantitative and Qualitative Disclosures About Market Risk

As of January 30, 2021, our exposure to market risk was primarily from interest rate changes on our debt obligations, some of which are at a London Interbank Offered Rate (LIBOR). Our interest rate exposure is primarily due to differences between our floating rate debt obligations compared to our floating rate short-term investments. As of January 30, 2021, our floating rate short-term investments exceeded our floating rate debt by approximately $6.1 billion. Based on our balance sheet position as of January 30, 2021, the annualized effect of a 0.1 percentage point increase in floating interest rates on our floating rate debt obligations, net of our floating rate short-term investments, would increase our earnings before income taxes by $6 million. In general, we expect our floating rate debt to exceed our floating rate short-term investments over time, but that may vary in different interest rate and economic environments. For example, our short-term investments as of January 30, 2021, exceeded our floating rate debt due to operating cash flow acceleration driven by strong operating results, as well as the temporary suspension of share repurchases and reduced capital expenditures in the uncertain environment. See further description of our debt and derivative instruments in Notes 16 and 17 to the Financial Statements.

The United Kingdom's Financial Conduct Authority has announced the intent to phase out LIBOR over the next several years. We do not expect the phase out to materially impact our financial statements, liquidity or access to capital markets.

We record our general liability and workers' compensation liabilities at net present value; therefore, these liabilities fluctuate with changes in interest rates. Based on our balance sheet position as of January 30, 2021, the annualized effect of a 0.5 percentage point decrease in interest rates would be to decrease earnings before income taxes by $5 million.

In addition, we are exposed to market return fluctuations on our qualified defined benefit pension plan. The value of our pension liabilities is inversely related to changes in interest rates. A 1 percentage point decrease in the weighted average discount rate would increase annual expense by $59 million. To protect against declines in interest rates, we hold high-quality, long-duration bonds and derivative instruments in our pension plan trust. At year-end, we had hedged 65 percent of the interest rate exposure of our plan liabilities.

As more fully described in Note 23 to the Financial Statements, we are exposed to market returns on accumulated team member balances in our nonqualified, unfunded deferred compensation plans. We control the risk of offering the nonqualified plans by making investments in life insurance contracts and prepaid forward contracts on our own common stock that substantially offset our economic exposure to the returns on these plans.

There have been no other material changes in our primary risk exposures or management of market risks since the prior year.

## Item 8. Financial Statements and Supplementary Data

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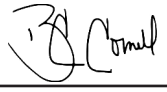
**Report of Management on the Consolidated Financial Statements**

Management is responsible for the consistency, integrity, and presentation of the information in the Annual Report. The consolidated financial statements and other information presented in this Annual Report have been prepared in accordance with accounting principles generally accepted in the United States and include necessary judgments and estimates by management.

To fulfill our responsibility, we maintain comprehensive systems of internal control designed to provide reasonable assurance that assets are safeguarded and transactions are executed in accordance with established procedures. The concept of reasonable assurance is based upon recognition that the cost of the controls should not exceed the benefit derived. We believe our systems of internal control provide this reasonable assurance.

The Board of Directors exercised its oversight role with respect to the Corporation's systems of internal control primarily through its Audit Committee, which is comprised of independent directors. The Committee oversees the Corporation's systems of internal control, accounting practices, financial reporting and audits to assess whether their quality, integrity, and objectivity are sufficient to protect shareholders' investments.

In addition, our consolidated financial statements have been audited by Ernst & Young LLP, independent registered public accounting firm, whose report also appears on this page.



Brian C. Cornell
Chairman and Chief Executive Officer

Michael J. Fiddelke
Executive Vice President and
Chief Financial Officer

March 10, 2021

**Report of Independent Registered Public Accounting Firm**

To the Shareholders and the Board of Directors of
Target Corporation

**Opinion on the Financial Statements**

We have audited the accompanying consolidated statements of financial position of Target Corporation (the Corporation) as of January 30, 2021 and February 1, 2020, the related consolidated statements of operations, comprehensive income, cash flows and shareholders' investment for each of the three years in the period ended January 30, 2021, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Corporation at January 30, 2021 and February 1, 2020, and the results of its operations and its cash flows for each of the three years in the period ended January 30, 2021, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Corporation's internal control over financial reporting as of January 30, 2021, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 10, 2021 expressed an unqualified opinion thereon.

**Basis for Opinion**

These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on the Corporation’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Corporation in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

**Critical Audit Matters**

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

*Valuation of Inventory and related Cost of Sales*

*Description of the Matter*

At January 30, 2021, the Corporation's inventory was $10,653 million. As described in Note 9 to the consolidated financial statements, the Corporation accounts for the vast majority of its inventory under the retail inventory accounting method (RIM) using the last-in, first-out (LIFO) method. RIM is an averaging method that has been widely used in the retail industry due to its practicality. Under RIM, inventory cost and the resulting gross margins are calculated by applying a cost-to-retail ratio to the inventory retail value.

Auditing inventory requires extensive audit effort including significant involvement of more experienced audit team members, including the involvement of our information technology (IT) professionals, given the relatively higher level of automation impacting the inventory process including the involvement of multiple information systems used to capture the high volume of transactions processed by the Corporation. Further, the inventory process is supported by a number of automated and IT dependent controls that elevate the importance of the IT general controls that support the underlying information systems utilized to process transactions. In addition, in March 2020, as a result of COVID-19, the Company temporarily suspended physical inventory counts at its stores. The Company resumed physical inventory counts in June 2020 using a statistical sampling method. Historically, the Company counted nearly all of its stores annually.

*How We Addressed the Matter in Our Audit*

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Corporation's inventory process, including the underlying IT general controls. For example, we tested automated controls performed by the Corporation's information systems and controls over the completeness of data transfers between information systems used in performing the Corporation's RIM calculation. Our audit procedures included, among others, testing the processing scenarios of the automated controls by evaluating configuration settings and performing a transaction walkthrough for each scenario. In addition, we evaluated the design and tested the effectiveness of controls over the Company's modified store inventory count process, including the determination of the number of stores counted and evaluation of the results from the sample it counted.

Our audit procedures also included, among others, testing the key inputs into the RIM calculation, including purchases, sales, shortage, and price changes (markdowns) by comparing the key inputs back to source information such as third-party vendor invoices, third-party inventory count information and cash receipts. We performed extensive analytical procedures. For example, we performed store square footage analytics to predict ending inventory values at each store location, as well as predictive markdown analytics based on inquiries held with members of the merchant organization to assess the level of price changes within a category. In addition, we tested the existence of inventories by observing physical inventory counts for a sample of stores and distribution centers.

*Valuation of Vendor Income Receivables*

*Description of the Matter*

At January 30, 2021, the Corporation's vendor income receivables totaled $504 million. As discussed in Note 5 of the consolidated financial statements, the Corporation receives consideration for a variety of vendor-sponsored programs, which are primarily recorded as a reduction of cost of sales when earned. The Corporation records a receivable for amounts earned but not yet received.

Auditing the Corporation's vendor income receivables was complex due to the estimation required in measuring the receivables. The estimate was sensitive to significant assumptions, such as forecasted vendor income collections, and estimating the time period over which the collections have been earned, which is primarily based on historical trending and data.

*How We Addressed the Matter in Our Audit*

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Corporation's vendor income receivable process, including controls over management's review of the significant assumptions described above.

To test the estimated vendor income receivables, we performed audit procedures that included, among others, assessing the estimation methodology used by management and evaluating the forecasted vendor income collections and the time period over which collections have been earned as used in the receivable estimation model. For a sample of the vendor rebates and concessions, we evaluated the nature and source of the inputs used and the terms of the contractual agreements. We recalculated the amount of the vendor income earned based on the inputs and the terms of the agreements. In addition, we recalculated the time period over which the vendor income collection had been earned to assess the accuracy of management's estimates. We also performed sensitivity analyses of significant assumptions to evaluate the significance of changes in the receivables that would result from changes in assumptions.

Ernst & Young LLP

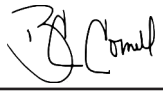
We have served as the Corporation's auditor since 1931.

Minneapolis, Minnesota
March 10, 2021

**Report of Management on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). Under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, we assessed the effectiveness of our internal control over financial reporting as of January 30, 2021, based on the framework in *Internal Control—Integrated Framework (2013)*, issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on our assessment, we conclude that the Corporation's internal control over financial reporting is effective based on those criteria.

Our internal control over financial reporting as of January 30, 2021, has been audited by Ernst & Young LLP, the independent registered public accounting firm who has also audited our consolidated financial statements, as stated in their report which appears on this page.



Brian C. Cornell
Chairman and Chief Executive Officer

Michael J. Fiddelke
Executive Vice President and
Chief Financial Officer

March 10, 2021

**Report of Independent Registered Public Accounting Firm**

To the Shareholders and the Board of Directors of
Target Corporation

**Opinion on Internal Control over Financial Reporting**

We have audited Target Corporation's internal control over financial reporting as of January 30, 2021, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Target Corporation (the Corporation) maintained, in all material respects, effective internal control over financial reporting as of January 30, 2021, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated statements of financial position of the Corporation as of January 30, 2021 and February 1, 2020, the related consolidated statements of operations, comprehensive income, cash flows and shareholders' investment for each of the three years in the period ended January 30, 2021, and the related notes and our report dated March 10, 2021 expressed an unqualified opinion thereon.

**Basis for Opinion**

The Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report of Management on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Corporation's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Corporation in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

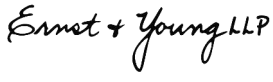
We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

**Definition and Limitations of Internal Control Over Financial Reporting**

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.



Minneapolis, Minnesota
March 10, 2021

## Consolidated Statements of Operations

| (millions, except per share data) | 2020 | 2019 | 2018 |
|---|---|---|---|
| Sales | $ 92,400 | $ 77,130 | $ 74,433 |
| Other revenue | 1,161 | 982 | 923 |
| Total revenue | 93,561 | 78,112 | 75,356 |
| Cost of sales | 66,177 | 54,864 | 53,299 |
| Selling, general and administrative expenses | 18,615 | 16,233 | 15,723 |
| Depreciation and amortization (exclusive of depreciation included in cost of sales) | 2,230 | 2,357 | 2,224 |
| Operating income | 6,539 | 4,658 | 4,110 |
| Net interest expense | 977 | 477 | 461 |
| Net other (income) / expense | 16 | (9) | (27) |
| Earnings from continuing operations before income taxes | 5,546 | 4,190 | 3,676 |
| Provision for income taxes | 1,178 | 921 | 746 |
| **Net earnings from continuing operations** | 4,368 | 3,269 | 2,930 |
| Discontinued operations, net of tax | — | 12 | 7 |
| **Net earnings** | $ 4,368 | $ 3,281 | $ 2,937 |
| **Basic earnings per share** | | | |
| Continuing operations | $ 8.72 | $ 6.39 | $ 5.54 |
| Discontinued operations | — | 0.02 | 0.01 |
| Net earnings per share | $ 8.72 | $ 6.42 | $ 5.55 |
| **Diluted earnings per share** | | | |
| Continuing operations | $ 8.64 | $ 6.34 | $ 5.50 |
| Discontinued operations | — | 0.02 | 0.01 |
| Net earnings per share | $ 8.64 | $ 6.36 | $ 5.51 |
| Weighted average common shares outstanding | | | |
| Basic | 500.6 | 510.9 | 528.6 |
| Diluted | 505.4 | 515.6 | 533.2 |
| Antidilutive shares | — | — | — |

Note: Per share amounts may not foot due to rounding.

See accompanying Notes to Consolidated Financial Statements.

## Consolidated Statements of Comprehensive Income

| (millions) | 2020 | 2019 | 2018 |
|---|---|---|---|
| Net earnings | $ 4,368 | $ 3,281 | $ 2,937 |
| Other comprehensive income / (loss), net of tax | | | |
| Pension benefit liabilities | 102 | (65) | (52) |
| Currency translation adjustment and cash flow hedges | 10 | 2 | (6) |
| Other comprehensive income / (loss) | 112 | (63) | (58) |
| Comprehensive income | $ 4,480 | $ 3,218 | $ 2,879 |

See accompanying Notes to Consolidated Financial Statements.

## Consolidated Statements of Financial Position

| (millions, except footnotes) | January 30, 2021 | February 1, 2020 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ 8,511 | $ 2,577 |
| Inventory | 10,653 | 8,992 |
| Other current assets | 1,592 | 1,333 |
| Total current assets | 20,756 | 12,902 |
| Property and equipment | | |
| Land | 6,141 | 6,036 |
| Buildings and improvements | 31,557 | 30,603 |
| Fixtures and equipment | 5,914 | 6,083 |
| Computer hardware and software | 2,765 | 2,692 |
| Construction-in-progress | 780 | 533 |
| Accumulated depreciation | (20,278) | (19,664) |
| Property and equipment, net | 26,879 | 26,283 |
| Operating lease assets | 2,227 | 2,236 |
| Other noncurrent assets | 1,386 | 1,358 |
| **Total assets** | $ 51,248 | $ 42,779 |
| **Liabilities and shareholders' investment** | | |
| Accounts payable | $ 12,859 | $ 9,920 |
| Accrued and other current liabilities | 6,122 | 4,406 |
| Current portion of long-term debt and other borrowings | 1,144 | 161 |
| Total current liabilities | 20,125 | 14,487 |
| Long-term debt and other borrowings | 11,536 | 11,338 |
| Noncurrent operating lease liabilities | 2,218 | 2,275 |
| Deferred income taxes | 990 | 1,122 |
| Other noncurrent liabilities | 1,939 | 1,724 |
| Total noncurrent liabilities | 16,683 | 16,459 |
| Shareholders' investment | | |
| Common stock | 42 | 42 |
| Additional paid-in capital | 6,329 | 6,226 |
| Retained earnings | 8,825 | 6,433 |
| Accumulated other comprehensive loss | (756) | (868) |
| Total shareholders' investment | 14,440 | 11,833 |
| **Total liabilities and shareholders' investment** | $ 51,248 | $ 42,779 |

**Common Stock** Authorized 6,000,000,000 shares, $0.0833 par value; 500,877,129 shares issued and outstanding as of January 30, 2021; 504,198,962 shares issued and outstanding as of February 1, 2020.

**Preferred Stock** Authorized 5,000,000 shares, $0.01 par value; no shares were issued or outstanding during any period presented.

See accompanying Notes to Consolidated Financial Statements.

## Consolidated Statements of Cash Flows

| (millions) | 2020 | 2019 | 2018 |
|---|---|---|---|
| **Operating activities** | | | |
| Net earnings | $ 4,368 | $ 3,281 | $ 2,937 |
| Earnings from discontinued operations, net of tax | — | 12 | 7 |
| Net earnings from continuing operations | 4,368 | 3,269 | 2,930 |
| Adjustments to reconcile net earnings to cash provided by operations: | | | |
| Depreciation and amortization | 2,485 | 2,604 | 2,474 |
| Share-based compensation expense | 200 | 147 | 132 |
| Deferred income taxes | (184) | 178 | 322 |
| Loss on debt extinguishment | 512 | 10 | — |
| Noncash losses / (gains) and other, net | 86 | 29 | 95 |
| Changes in operating accounts: | | | |
| Inventory | (1,661) | 505 | (900) |
| Other assets | (137) | 18 | (299) |
| Accounts payable | 2,925 | 140 | 1,127 |
| Accrued and other liabilities | 1,931 | 199 | 89 |
| Cash provided by operating activities—continuing operations | 10,525 | 7,099 | 5,970 |
| Cash provided by operating activities—discontinued operations | — | 18 | 3 |
| Cash provided by operations | 10,525 | 7,117 | 5,973 |
| **Investing activities** | | | |
| Expenditures for property and equipment | (2,649) | (3,027) | (3,516) |
| Proceeds from disposal of property and equipment | 42 | 63 | 85 |
| Other investments | 16 | 20 | 15 |
| Cash required for investing activities | (2,591) | (2,944) | (3,416) |
| **Financing activities** | | | |
| Additions to long-term debt | 2,480 | 1,739 | — |
| Reductions of long-term debt | (2,415) | (2,069) | (281) |
| Dividends paid | (1,343) | (1,330) | (1,335) |
| Repurchase of stock | (745) | (1,565) | (2,124) |
| Stock option exercises | 23 | 73 | 96 |
| Cash required for financing activities | (2,000) | (3,152) | (3,644) |
| Net increase / (decrease) in cash and cash equivalents | 5,934 | 1,021 | (1,087) |
| Cash and cash equivalents at beginning of period | 2,577 | 1,556 | 2,643 |
| **Cash and cash equivalents at end of period** | $ 8,511 | $ 2,577 | $ 1,556 |
| **Supplemental information** | | | |
| Interest paid, net of capitalized interest | $ 939 | $ 492 | $ 476 |
| Income taxes paid | 1,031 | 696 | 373 |
| Leased assets obtained in exchange for new finance lease liabilities | 428 | 379 | 130 |
| Leased assets obtained in exchange for new operating lease liabilities | 262 | 464 | 246 |

See accompanying Notes to Consolidated Financial Statements.

## Consolidated Statements of Shareholders' Investment

| (millions) | Common Stock Shares | Stock Par Value | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive (Loss) / Income | Total |
|---|---|---|---|---|---|---|
| February 3, 2018 | 541.7 | $ 45 | $ 5,858 | $ 6,495 | $ (747) | $ 11,651 |
| Net earnings | — | — | — | 2,937 | — | 2,937 |
| Other comprehensive loss | — | — | — | — | (58) | (58) |
| Dividends declared | — | — | — | (1,347) | — | (1,347) |
| Repurchase of stock | (27.2) | (2) | — | (2,068) | — | (2,070) |
| Stock options and awards | 3.3 | — | 184 | — | — | 184 |
| February 2, 2019 | 517.8 | $ 43 | $ 6,042 | $ 6,017 | $ (805) | $ 11,297 |
| Net earnings | — | — | — | 3,281 | — | 3,281 |
| Other comprehensive loss | — | — | — | — | (63) | (63) |
| Dividends declared | — | — | — | (1,345) | — | (1,345) |
| Repurchase of stock | (16.0) | (1) | — | (1,520) | — | (1,521) |
| Stock options and awards | 2.4 | — | 184 | — | — | 184 |
| February 1, 2020 | 504.2 | $ 42 | $ 6,226 | $ 6,433 | $ (868) | $ 11,833 |
| Net earnings | — | — | — | 4,368 | — | 4,368 |
| Other comprehensive income | — | — | — | — | 112 | 112 |
| Dividends declared | — | — | — | (1,367) | — | (1,367) |
| Repurchase of stock | (5.7) | — | — | (609) | — | (609) |
| Stock options and awards | 2.4 | — | 103 | — | — | 103 |
| January 30, 2021 | 500.9 | $ 42 | $ 6,329 | $ 8,825 | $ (756) | $ 14,440 |

We declared $2.70, $2.62, and $2.54 dividends per share for the twelve months ended January 30, 2021, February 1, 2020, and February 2, 2019, respectively.

See accompanying Notes to Consolidated Financial Statements.

# Notes to Consolidated Financial Statements

## 1. Summary of Accounting Policies

**Organization** We are a general merchandise retailer selling products to our guests through our stores and digital channels.

We operate as a single segment that includes all of our continuing operations, which are designed to enable guests to purchase products seamlessly in stores or through our digital channels. Nearly all of our revenues are generated in the United States (U.S.). The vast majority of our long-lived assets are located within the U.S.

**Consolidation** The consolidated financial statements include the balances of Target and its subsidiaries after elimination of intercompany balances and transactions. All material subsidiaries are wholly owned. We consolidate variable interest entities where it has been determined that Target is the primary beneficiary of those entities' operations.

**Use of estimates** The preparation of our consolidated financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions affecting reported amounts in the consolidated financial statements and accompanying notes. Actual results may differ significantly from those estimates.

**Fiscal year** Our fiscal year ends on the Saturday nearest January 31. Unless otherwise stated, references to years in this report relate to fiscal years, rather than to calendar years. Fiscal 2020, 2019 and 2018 ended January 30, 2021, February 1, 2020, and February 2, 2019, respectively, and consisted of 52 weeks. Fiscal 2021 will end January 29, 2022, and will consist of 52 weeks.

**Accounting policies** Our accounting policies are disclosed in the applicable Notes to the Consolidated Financial Statements. Certain prior-year amounts have been reclassified to conform to the current-year presentation.

## 2. Coronavirus (COVID-19)

On March 11, 2020, the World Health Organization declared the novel coronavirus disease (COVID-19) a pandemic, and on March 13, 2020, the United States declared a national emergency. States and cities have taken various measures in response to COVID-19, including mandating the closure of certain businesses and encouraging or requiring citizens to avoid large gatherings. To date, virtually all of our stores, digital channels, and distribution centers have remained open.

Throughout 2020, guest shopping patterns changed significantly and unpredictably in reaction to the COVID-19 pandemic. Four of our five core merchandise categories have experienced significant sales growth throughout the year; however, sales of Apparel and Accessories declined significantly in the first quarter before rebounding in the balance of the year. Note 3 provides sales by category. In response to these changes, we have taken many actions, including accelerating purchases of certain merchandise in our core categories and slowing or canceling certain purchase orders, primarily for Apparel and Accessories. As a result of these actions, we recorded $226 million of purchase order cancellation fees in Cost of Sales.

## 3. Revenues

General merchandise sales represent the vast majority of our revenues. We also earn revenues from a variety of other sources, most notably credit card profit-sharing income from our arrangement with TD Bank Group (TD).

| Revenues (millions) | 2020 | 2019 | 2018 |
|---|---|---|---|
| Apparel and accessories [(a)] | $ 14,772 | $ 14,304 | $ 13,434 |
| Beauty and household essentials [(b)] | 24,461 | 20,616 | 19,296 |
| Food and beverage [(c)] | 18,135 | 15,039 | 14,585 |
| Hardlines [(d)] | 16,626 | 12,595 | 12,709 |
| Home furnishings and décor [(e)] | 18,231 | 14,430 | 14,298 |
| Other | 175 | 146 | 111 |
| Sales | 92,400 | 77,130 | 74,433 |
| Credit card profit sharing | 666 | 680 | 673 |
| Other | 495 | 302 | 250 |
| Other revenue | 1,161 | 982 | 923 |
| Total revenue | $ 93,561 | $ 78,112 | $ 75,356 |

(a) Includes apparel for women, men, boys, girls, toddlers, infants and newborns, as well as jewelry, accessories, and shoes.

(b) Includes beauty and personal care, baby gear, cleaning, paper products, and pet supplies.

(c) Includes dry grocery, dairy, frozen food, beverages, candy, snacks, deli, bakery, meat, produce, and food service in our stores.

(d) Includes electronics (including video game hardware and software), toys, entertainment, sporting goods, and luggage.

(e) Includes furniture, lighting, storage, kitchenware, small appliances, home décor, bed and bath, home improvement, school/office supplies, greeting cards and party supplies, and other seasonal merchandise.

*Merchandise sales* – We record almost all retail store revenues at the point of sale. Digitally originated sales may include shipping revenue and are recorded upon delivery to the guest or upon guest pickup at the store. Total revenues do not include sales tax because we are a pass-through conduit for collecting and remitting sales taxes. Generally, guests may return national brand merchandise within 90 days of purchase and owned and exclusive brands within one year of purchase. Sales are recognized net of expected returns, which we estimate using historical return patterns and our expectation of future returns. As of January 30, 2021, February 1, 2020, and February 2, 2019, the liability for estimated returns was $139 million, $117 million, and $116 million, respectively.

We routinely enter into arrangements with vendors whereby we do not purchase or pay for merchandise until the merchandise is ultimately sold to a guest. Under the vast majority of these arrangements, which represent less than 5 percent of consolidated sales, we record revenue and related costs gross. We concluded that we are the principal in these transactions for a number of reasons, most notably because we 1) control the overall economics of the transactions, including setting the sales price and realizing the majority of cash flows from the sale, 2) control the relationship with the customer, and 3) are responsible for fulfilling the promise to provide goods to the customer. Merchandise received under these arrangements is not included in Inventory because the purchase and sale of this inventory are virtually simultaneous.

Revenue from Target gift card sales is recognized upon gift card redemption, which is typically within one year of issuance. Our gift cards do not expire. Based on historical redemption rates, a small and relatively stable percentage of gift cards will never be redeemed, referred to as "breakage." Estimated breakage revenue is recognized over time in proportion to actual gift card redemptions.

| Gift Card Liability Activity (millions) | February 1, 2020 | Gift Cards Issued During Current Period But Not Redeemed [b] | Revenue Recognized From Beginning Liability | January 30, 2021 |
|---|---|---|---|---|
| Gift card liability [a] | $ 935 | $ 739 | $ (639) | $ 1,035 |

[a] Included in Accrued and Other Current Liabilities.
[b] Net of estimated breakage.

Guests receive a 5 percent discount on nearly all purchases and receive free shipping at Target.com when they use their Target Debit Card, Target Credit Card, or Target MasterCard (RedCards). The discount is included as a sales reduction and was $1.1 billion, $962 million, and $953 million in 2020, 2019, and 2018, respectively.

Target Circle program members earn 1 percent rewards on nearly all non-RedCard purchases. As of January 30, 2021, deferred revenue of $72 million related to this loyalty program was included in Accrued and Other Current Liabilities. Amounts related to this program were insignificant at February 1, 2020.

*Credit card profit sharing* – We receive payments under a credit card program agreement with TD. Under the agreement, we receive a percentage of the profits generated by the Target Credit Card and Target MasterCard receivables in exchange for performing account servicing and primary marketing functions. TD underwrites, funds, and owns Target Credit Card and Target MasterCard receivables, controls risk management policies, and oversees regulatory compliance.

*Other* – Includes advertising, Shipt membership and service revenues, rental income, and other miscellaneous revenues, none of which are individually significant.

## 4. Cost of Sales and Selling, General and Administrative Expenses

The following table illustrates the primary items classified in each major expense category:

| Cost of Sales | Selling, General and Administrative Expenses |
|---|---|
| Total cost of products sold including<br>• Freight expenses associated with moving merchandise from our vendors to and between our distribution centers and our retail stores<br>• Vendor income that is not reimbursement of specific, incremental, and identifiable costs<br>Inventory shrink<br>Markdowns<br>Outbound shipping and handling expenses associated with sales to our guests<br>Payment term cash discounts<br>Distribution center costs, including compensation and benefits costs and depreciation<br>Compensation and benefit costs associated with shipment of merchandise from stores<br>Import costs | Compensation and benefit costs for stores and headquarters, except ship from store costs classified as cost of sales<br>Occupancy and operating costs of retail and headquarters facilities<br>Advertising, offset by vendor income that is a reimbursement of specific, incremental, and identifiable costs<br>Pre-opening and exit costs of stores and other facilities<br>Credit cards servicing expenses<br>Costs associated with accepting third-party bank issued payment cards<br>Litigation and defense costs and related insurance recoveries<br>Other administrative costs |

Note: The classification of these expenses varies across the retail industry.

## 5. Consideration Received from Vendors

We receive consideration for a variety of vendor-sponsored programs, such as volume rebates, markdown allowances, promotions, and advertising allowances and for our compliance programs, referred to as "vendor income." Additionally, under our compliance programs, vendors are charged for merchandise shipments that do not meet our requirements (violations), such as late or incomplete shipments. Substantially all vendor income is recorded as a reduction of Cost of Sales.

We establish a receivable for vendor income that is earned but not yet received. Based on historical trending and data, this receivable is computed by forecasting vendor income collections and estimating the amount earned. The majority of the year-end vendor income receivables are collected within the following fiscal quarter, and we do not believe there is a reasonable likelihood that the assumptions used in our estimate will change significantly. Note 10 provides additional information.

## 6. Advertising Costs

Advertising costs, which primarily consist of newspaper circulars, digital advertisements, and media broadcast, are generally expensed at first showing or distribution of the advertisement. Reimbursements from vendors that are for specific, incremental, and identifiable advertising costs are recognized as offsets of these advertising costs within Selling, General and Administrative Expenses (SG&A Expenses). Net advertising costs were $1.5 billion, $1.6 billion, and $1.5 billion in 2020, 2019, and 2018, respectively.

## 7. Fair Value Measurements

Fair value measurements are reported in one of three levels based on the lowest level of significant input used: Level 1 (unadjusted quoted prices in active markets); Level 2 (observable market inputs, other than quoted prices included in Level 1); and Level 3 (unobservable inputs that cannot be corroborated by observable market data).

| **Fair Value Measurements - Recurring Basis** | | | Fair Value as of | |
|---|---|---|---|---|
| (millions) | Classification | Pricing Category | January 30, 2021 | February 1, 2020 |
| **Assets** | | | | |
| Short-term investments [(a)] | Cash and Cash Equivalents | Level 1 | $ 7,644 | $ 1,810 |
| Prepaid forward contracts [(b)] | Other Current Assets | Level 1 | 38 | 23 |
| Equity securities [(c)] | Other Current Assets | Level 1 | — | 39 |
| Interest rate swaps [(d)] | Other Noncurrent Assets | Level 2 | 188 | 137 |

(a) Carrying value approximates fair value because maturities are less than three months.
(b) Initially valued at transaction price. Subsequently valued by reference to the market price of Target common stock.
(c) Represents our investment in Casper common stock.
(d) Valuations are based on observable inputs to the valuation model (e.g., interest rates and credit spreads). See Note 17 for additional information on interest rate swaps.

In 2020 and 2019, we recorded pretax losses of $19 million and $41 million, respectively, related to our investment in Casper within Net Other (Income) / Expense. We sold our investment during 2020.

| Significant Financial Instruments not Measured at Fair Value [a] (millions) | As of January 30, 2021 Carrying Amount | As of January 30, 2021 Fair Value | As of February 1, 2020 Carrying Amount | As of February 1, 2020 Fair Value |
|---|---|---|---|---|
| Long-term debt, including current portion [b] | $ 10,643 | $ 12,787 | $ 9,992 | $ 11,864 |

(a) The carrying amounts of certain other current assets, commercial paper, accounts payable, and certain accrued and other current liabilities approximate fair value due to their short-term nature.

(b) The fair value of debt is generally measured using a discounted cash flow analysis based on current market interest rates for the same or similar types of financial instruments and would be classified as Level 2. These amounts exclude commercial paper, unamortized swap valuation adjustments, and lease liabilities.

## 8. Cash and Cash Equivalents

Cash equivalents include highly liquid investments with an original maturity of three months or less from the time of purchase. Cash equivalents also include amounts due from third-party financial institutions for credit and debit card transactions. These receivables typically settle in five days or less.

| Cash and Cash Equivalents (millions) | January 30, 2021 | February 1, 2020 |
|---|---|---|
| Cash | $ 307 | $ 326 |
| Short-term investments | 7,644 | 1,810 |
| Receivables from third-party financial institutions for credit and debit card transactions | 560 | 441 |
| Cash and cash equivalents [a] | $ 8,511 | $ 2,577 |

(a) We have access to these funds without any significant restrictions, taxes or penalties.

As of January 30, 2021, and February 1, 2020, we reclassified book overdrafts of $240 million and $209 million, respectively, to Accounts Payable and $24 million and $23 million, respectively, to Accrued and Other Current Liabilities.

## 9. Inventory

The vast majority of our inventory is accounted for under the retail inventory accounting method (RIM) using the last-in, first-out (LIFO) method. Inventory is stated at the lower of LIFO cost or market. Inventory cost includes the amount we pay to our suppliers to acquire inventory, freight costs incurred to deliver product to our distribution centers and stores, and import costs, reduced by vendor income and cash discounts. Distribution center operating costs, including compensation and benefits, are expensed in the period incurred. Inventory is also reduced for estimated losses related to shrink and markdowns. The LIFO provision is calculated based on inventory levels, markup rates, and internally measured retail price indices.

Under RIM, inventory cost and the resulting gross margins are calculated by applying a cost-to-retail ratio to the inventory retail value. RIM is an averaging method that has been widely used in the retail industry due to its practicality. The use of RIM will result in inventory being valued at the lower of cost or market because permanent markdowns are taken as a reduction of the retail value of inventory.

## 10. Other Current Assets

| Other Current Assets (millions) | January 30, 2021 | February 1, 2020 |
|---|---|---|
| Accounts and other receivables | $ 631 | $ 498 |
| Vendor income receivable | 504 | 464 |
| Prepaid expenses | 171 | 154 |
| Other | 286 | 217 |
| Total | $ 1,592 | $ 1,333 |

## 11. Property and Equipment

Property and equipment, including assets acquired under finance leases, is depreciated using the straight-line method over estimated useful lives or lease terms if shorter. We amortize leasehold improvements purchased after the beginning of the initial lease term over the shorter of the assets' useful lives or a term that includes the original lease term, plus any renewals that are reasonably certain at the date the leasehold improvements are acquired. Depreciation expense for 2020, 2019, and 2018 was $2.5 billion, $2.6 billion, and $2.5 billion, respectively, including depreciation expense included in Cost of Sales. For income tax purposes, accelerated depreciation methods are generally used. Repair and maintenance costs are expensed as incurred. Facility pre-opening costs, including supplies and payroll, are expensed as incurred.

| **Estimated Useful Lives** | Life (Years) |
|---|---|
| Buildings and improvements | 8-39 |
| Fixtures and equipment | 2-15 |
| Computer hardware and software | 2-7 |

We review long-lived assets for impairment when store performance expectations, events, or changes in circumstances—such as a decision to relocate or close a store or distribution center, discontinue a project, or make significant software changes—indicate that the asset's carrying value may not be recoverable. We recognized impairment losses of $62 million, $23 million, and $92 million during 2020, 2019, and 2018, respectively. For asset groups classified as held for sale, measurement of an impairment loss is based on the excess of the carrying amount of the asset group over its fair value. We estimate fair value by obtaining market appraisals, obtaining valuations from third-party brokers, or using other valuation techniques. Impairments are recorded in SG&A Expenses.

## 12. Other Noncurrent Assets

| **Other Noncurrent Assets** (millions) | January 30, 2021 | February 1, 2020 |
|---|---|---|
| Goodwill and intangible assets | $ 668 | $ 686 |
| Company-owned life insurance investments, net of loans | 450 | 418 |
| Other | 268 | 254 |
| Total | $ 1,386 | $ 1,358 |

## 13. Goodwill and Intangible Assets

Goodwill totaled $631 million and $633 million as of January 30, 2021, and February 1, 2020, respectively. No impairments were recorded in 2020, 2019, or 2018 as a result of the annual goodwill impairment tests performed.

Intangible assets, net of accumulated amortization, totaled $37 million and $53 million as of January 30, 2021, and February 1, 2020, respectively, and primarily related to trademarks and customer relationships. We use both accelerated and straight-line methods to amortize definite-lived intangible assets over 4 to 15 years. The weighted average life of intangible assets was 8 years as of January 30, 2021. Amortization expense was $15 million, $13 million, and $14 million in 2020, 2019, and 2018, respectively, and is estimated to be less than $15 million annually through 2025.

## 14. Accrued and Other Current Liabilities

| Accrued and Other Current Liabilities (millions) | January 30, 2021 | February 1, 2020 |
|---|---|---|
| Wages and benefits | $ 1,677 | $ 1,158 |
| Real estate, sales, and other taxes payable | 1,103 | 601 |
| Gift card liability, net of estimated breakage | 1,035 | 935 |
| Income tax payable | 473 | 129 |
| Dividends payable | 341 | 333 |
| Current portion of operating lease liabilities | 211 | 200 |
| Workers' compensation and general liability [(a)] | 169 | 155 |
| Interest payable | 79 | 69 |
| Other | 1,034 | 826 |
| Total | $ 6,122 | $ 4,406 |

(a) We retain a substantial portion of the risk related to general liability and workers' compensation claims. We estimate our ultimate cost based on analysis of historical data and actuarial estimates. General liability and workers' compensation liabilities are recorded at our estimate of their net present value.

## 15. Commitments and Contingencies

### Contingencies

We are exposed to claims and litigation arising in the ordinary course of business and use various methods to resolve these matters in a manner that we believe serves the best interest of our shareholders and other constituents. When a loss is probable, we record an accrual based on the reasonably estimable loss or range of loss. When no point of loss is more likely than another, we record the lowest amount in the estimated range of loss and, if material, disclose the estimated range of loss. We do not record liabilities for reasonably possible loss contingencies, but do disclose a range of reasonably possible losses if they are material and we are able to estimate such a range. If we cannot provide a range of reasonably possible losses, we explain the factors that prevent us from determining such a range. Historically, adjustments to our estimates have not been material. We believe the recorded reserves in our consolidated financial statements are adequate in light of the probable and estimable liabilities. We do not believe that any of these identified claims or litigation will be material to our results of operations, cash flows, or financial condition.

### Commitments

Purchase obligations, which include all legally binding contracts such as merchandise royalties, equipment purchases, marketing-related contracts, software acquisition/license commitments, firm minimum commitments for inventory purchases, and service contracts, were $785 million and $676 million as of January 30, 2021, and February 1, 2020, respectively. These purchase obligations are primarily due within three years and recorded as liabilities when goods are received or services rendered. Real estate obligations, which include legally binding minimum lease payments for leases signed but not yet commenced, and commitments for the purchase, construction, or remodeling of real estate and facilities, were $2.1 billion and $1.4 billion as of January 30, 2021, and February 1, 2020, respectively. Over half of these real estate obligations are due within five years, a portion of which are recorded as liabilities.

We issue inventory purchase orders in the ordinary course of business, which represent authorizations to purchase that are cancelable by their terms. We do not consider purchase orders to be firm inventory commitments. If we choose to cancel a purchase order, we may be obligated to reimburse the vendor for unrecoverable outlays incurred prior to cancellation.

We also issue letters of credit and surety bonds in the ordinary course of business. Trade letters of credit totaled $2.0 billion and $1.5 billion as of January 30, 2021, and February 1, 2020, respectively, a portion of which are reflected in Accounts Payable. Standby letters of credit and surety bonds, primarily related to insurance and regulatory requirements, totaled $472 million and $468 million as of January 30, 2021, and February 1, 2020, respectively.

## 16. Commercial Paper and Long-Term Debt

As of January 30, 2021, the carrying value and maturities of our debt portfolio were as follows:

| **Debt Maturities** | January 30, 2021 | |
|---|---|---|
| (dollars in millions) | Rate [(a)] | Balance |
| Due 2021-2025 | 3.0 % | $ 3,607 |
| Due 2026-2030 | 3.0 | 3,392 |
| Due 2031-2035 | 6.6 | 507 |
| Due 2036-2040 | 6.8 | 936 |
| Due 2041-2045 | 4.0 | 1,084 |
| Due 2046-2050 | 3.8 | 1,117 |
| Total notes and debentures | 3.7 | 10,643 |
| Swap valuation adjustments | | 183 |
| Finance lease liabilities | | 1,854 |
| Less: Amounts due within one year | | (1,144) |
| Long-term debt and other borrowings | | $ 11,536 |

(a) Reflects the dollar weighted average stated interest rate as of year-end.

| **Required Principal Payments** (millions) | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|
| Total required principal payments | $ 1,056 | $ 63 | $ — | $ 1,000 | $ 1,500 |

In October 2020, we repurchased $1.77 billion of debt before its maturity at a market value of $2.25 billion. We recognized a loss on early retirement of $512 million, which was recorded in Net Interest Expense.

In March 2020, we issued unsecured fixed rate debt of $1.5 billion at 2.250 percent that matures in April 2025 and $1.0 billion at 2.650 percent that matures in September 2030.

In January 2020, we issued $750 million of 10-year unsecured fixed rate debt at 2.350 percent, and separately, we redeemed $1.0 billion of 3.875 percent unsecured fixed rate debt before its maturity. We recognized a loss on early retirement of approximately $10 million, which was recorded in Net Interest Expense.

In March 2019, we issued $1.0 billion of 10-year unsecured fixed rate debt at 3.375 percent, and in June 2019, we repaid $1.0 billion of 2.3 percent unsecured fixed rate debt at maturity.

We obtain short-term financing from time to time under our commercial paper program.

| **Commercial Paper** (dollars in millions) | 2020 | 2019 | 2018 |
|---|---|---|---|
| Maximum daily amount outstanding during the year | $ — | $ 744 | $ 658 |
| Average amount outstanding during the year | — | 41 | 63 |
| Amount outstanding at year-end | — | — | — |
| Weighted average interest rate | — % | 2.36 % | 2.00 % |

We have a committed $2.5 billion unsecured revolving credit facility that expires in October 2023. No balances were outstanding at any time during 2020, 2019, or 2018.

Substantially all of our outstanding borrowings are senior, unsecured obligations. Most of our long-term debt obligations contain covenants related to secured debt levels. In addition to a secured debt level covenant, our credit facility also contains a debt leverage covenant. We are, and expect to remain, in compliance with these covenants, which have no practical effect on our ability to pay dividends.

## 17. Derivative Financial Instruments

Our derivative instruments consist of interest rate swaps used to mitigate interest rate risk. As a result, we have counterparty credit exposure to large global financial institutions, which we monitor on an ongoing basis. Note 7 provides the fair value and classification of these instruments.

Under our swap agreements, we pay a floating rate equal to 1-month LIBOR and receive a weighted average fixed rate of 2.6 percent. The agreements have a weighted average remaining maturity of 6.9 years. As of January 30, 2021, and February 1, 2020, interest rate swaps with notional amounts totaling $1.5 billion were designated as fair value hedges, and all were considered to be perfectly effective under the shortcut method during 2020 and 2019.

As of January 30, 2021, we were party to forward-starting interest rate swaps with notional amounts totaling $250 million to hedge the interest rate exposure of anticipated future debt issuances. We designated these derivative financial instruments as cash flow hedges. As of January 30, 2021, a $5 million gain was recorded in Accumulated Other Comprehensive Loss and will be reclassified to Net Interest Expense when the forecasted transaction affects earnings.

| **Effect of Hedges on Debt** (millions) | January 30, 2021 | February 1, 2020 |
|---|---|---|
| Long-term debt and other borrowings | | |
| Carrying amount of hedged debt | $ 1,677 | $ 1,630 |
| Cumulative hedging adjustments, included in carrying amount | 183 | 137 |

| **Effect of Hedges on Net Interest Expense** (millions) | 2020 | 2019 | 2018 |
|---|---|---|---|
| Gain (loss) on fair value hedges recognized in Net Interest Expense | | | |
| Interest rate swap designated as fair value hedges | $ 46 | $ 130 | $ 13 |
| Hedged debt | (46) | (130) | (13) |
| Total | $ — | $ — | $ — |

## 18. Leases

We lease certain retail stores, warehouses, distribution centers, office space, land, and equipment. Leases with an initial term of 12 months or less are not recorded on the balance sheet; we recognize lease expense for these leases on a straight-line basis over the lease term. We combine lease and nonlease components for new and reassessed leases.

Most leases include one or more options to renew, with renewal terms that can extend the lease term from one to 50 years or more. The exercise of lease renewal options is at our sole discretion. Certain leases also include options to purchase the leased property. The depreciable life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise.

Certain of our lease agreements include rental payments based on a percentage of retail sales over contractual levels and others include rental payments adjusted periodically for inflation. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

We rent or sublease certain real estate to third parties. Our lease and sublease portfolio consists mainly of operating leases with CVS Pharmacy Inc. (CVS) for space within our stores.

| **Leases** (millions) | Classification | January 30, 2021 | February 1, 2020 |
|---|---|---|---|
| **Assets** | | | |
| Operating | Operating Lease Assets | $ 2,227 | $ 2,236 |
| Finance | Buildings and Improvements, net of Accumulated Depreciation [(a)] | 1,504 | 1,180 |
| Total leased assets | | $ 3,731 | $ 3,416 |
| **Liabilities** | | | |
| Current | | | |
| Operating | Accrued and Other Current Liabilities | $ 211 | $ 200 |
| Finance | Current Portion of Long-term Debt and Other Borrowings | 88 | 67 |
| Noncurrent | | | |
| Operating | Noncurrent Operating Lease Liabilities | 2,218 | 2,275 |
| Finance | Long-term Debt and Other Borrowings | 1,766 | 1,303 |
| Total lease liabilities | | $ 4,283 | $ 3,845 |

Note: We use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments.

(a) Finance lease assets are recorded net of accumulated amortization of $550 million and $441 million as of January 30, 2021, and February 1, 2020, respectively.

| **Lease Cost** (millions) | Classification | 2020 | 2019 | 2018 |
|---|---|---|---|---|
| Operating lease cost [(a)] | SG&A Expenses | $ 332 | $ 287 | $ 251 |
| Finance lease cost | | | | |
| Amortization of leased assets | Depreciation and Amortization [(b)] | 105 | 82 | 65 |
| Interest on lease liabilities | Net Interest Expense | 62 | 51 | 42 |
| Sublease income [(c)] | Other Revenue | (15) | (13) | (11) |
| Net lease cost | | $ 484 | $ 407 | $ 347 |

(a) 2020 includes $44 million of short-term leases and variable lease costs. Short-term and variable lease costs were insignificant for 2019 and 2018.

(b) Supply chain-related amounts are included in Cost of Sales.

(c) Sublease income excludes rental income from owned properties of $48 million, $48 million, and $47 million for 2020, 2019, and 2018, respectively, which is included in Other Revenue.

| **Maturity of Lease Liabilities** (millions) | Operating Leases [a] | Finance Leases [b] | Total |
|---|---|---|---|
| 2021 | $ 289 | $ 152 | $ 441 |
| 2022 | 290 | 159 | 449 |
| 2023 | 283 | 158 | 441 |
| 2024 | 269 | 155 | 424 |
| 2025 | 256 | 154 | 410 |
| After 2025 | 1,694 | 1,687 | 3,381 |
| Total lease payments | $ 3,081 | $ 2,465 | $ 5,546 |
| Less: Interest | 652 | 611 | |
| Present value of lease liabilities | $ 2,429 | $ 1,854 | |

(a) Operating lease payments include $847 million related to options to extend lease terms that are reasonably certain of being exercised and exclude $231 million of legally binding minimum lease payments for leases signed but not yet commenced.

(b) Finance lease payments include $160 million related to options to extend lease terms that are reasonably certain of being exercised and exclude $1.1 billion of legally binding minimum lease payments for leases signed but not yet commenced.

| **Lease Term and Discount Rate** | January 30, 2021 | February 1, 2020 |
|---|---|---|
| Weighted average remaining lease term (years) | | |
| Operating leases | 12.6 | 13.2 |
| Finance leases | 15.8 | 15.4 |
| Weighted average discount rate | | |
| Operating leases | 3.54 % | 3.71 % |
| Finance leases | 3.68 % | 4.23 % |

| **Other Information** (millions) | 2020 | 2019 | 2018 |
|---|---|---|---|
| Cash paid for amounts included in the measurement of lease liabilities | | | |
| Operating cash flows from operating leases | $ 284 | $ 254 | $ 231 |
| Operating cash flows from finance leases | 59 | 49 | 45 |
| Financing cash flows from finance leases | 70 | 57 | 80 |

## 19. Income Taxes

Earnings from continuing operations before income taxes were $5.5 billion, $4.2 billion, and $3.7 billion during 2020, 2019, and 2018, respectively, including $764 million, $653 million, and $565 million earned by our foreign entities subject to tax outside of the U.S.

| **Tax Rate Reconciliation – Continuing Operations** | 2020 | 2019 | 2018 |
|---|---|---|---|
| Federal statutory rate | 21.0 % | 21.0 % | 21.0 % |
| State income taxes, net of the federal tax benefit | 3.3 | 3.7 | 3.6 |
| International | (1.2) | (1.4) | (1.3) |
| Tax Act [(a)] | — | — | (1.0) |
| Excess tax benefit related to share-based payments | (1.0) | (0.4) | (0.3) |
| Federal tax credits | (0.6) | (0.8) | (1.1) |
| Other | (0.3) | (0.1) | (0.6) |
| Effective tax rate | 21.2 % | 22.0 % | 20.3 % |

(a) Represents the discrete benefit of the final adjustment to remeasure certain of our net deferred tax liabilities at the lower U.S. corporate income tax rate enacted by the Tax Cuts and Jobs Act of 2017 (Tax Act).

| **Provision for Income Taxes**<br>(millions) | 2020 | 2019 | 2018 |
|---|---|---|---|
| Current: | | | |
| Federal | $ 1,013 | $ 536 | $ 257 |
| State | 281 | 169 | 116 |
| International | 68 | 38 | 51 |
| Total current | 1,362 | 743 | 424 |
| Deferred: | | | |
| Federal | (118) | 150 | 263 |
| State | (64) | 29 | 57 |
| International | (2) | (1) | 2 |
| Total deferred | (184) | 178 | 322 |
| Total provision | $ 1,178 | $ 921 | $ 746 |

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| **Net Deferred Tax Asset / (Liability)** (millions) | January 30, 2021 | February 1, 2020 |
|---|---|---|
| Gross deferred tax assets: | | |
| Accrued and deferred compensation | $ 623 | $ 286 |
| Accruals and reserves not currently deductible | 192 | 147 |
| Self-insured benefits | 138 | 124 |
| Deferred occupancy income | 141 | 148 |
| Lease liabilities | 1,108 | 1,000 |
| Other | 55 | 58 |
| Total gross deferred tax assets | 2,257 | 1,763 |
| Gross deferred tax liabilities: | | |
| Property and equipment | (2,003) | (1,767) |
| Leased assets | (996) | (880) |
| Inventory | (146) | (156) |
| Other | (82) | (74) |
| Total gross deferred tax liabilities | (3,227) | (2,877) |
| Total net deferred tax liability | $ (970) | $ (1,114) |

We file a U.S. federal income tax return and income tax returns in various states and foreign jurisdictions. The U.S. Internal Revenue Service (IRS) has completed exams on the U.S. federal income tax returns for years 2018 and prior. With few exceptions, we are no longer subject to state and local or non-U.S. income tax examinations by tax authorities for years before 2013.

| **Reconciliation of Liability for Unrecognized Tax Benefits** (millions) | 2020 | 2019 | 2018 |
|---|---|---|---|
| Balance at beginning of period | $ 160 | $ 300 | $ 325 |
| Additions based on tax positions related to the current year | 35 | 28 | 58 |
| Additions for tax positions of prior years | 32 | 13 | 10 |
| Reductions for tax positions of prior years | (36) | (69) | (91) |
| Settlements | (10) | (112) | (2) |
| Balance at end of period | $ 181 | $ 160 | $ 300 |

If we were to prevail on all unrecognized tax benefits recorded, $99 million of the $181 million reserve would benefit the effective tax rate. In addition, the reversal of accrued penalties and interest would also benefit the effective tax rate. Interest and penalties associated with unrecognized tax benefits are recorded within income tax expense. During the years ended January 30, 2021, February 1, 2020, and February 2, 2019, we recorded an expense / (benefit) from accrued penalties and interest of $(12) million, $(2) million, and $3 million, respectively. As of January 30, 2021, February 1, 2020, and February 2, 2019 total accrued interest and penalties were $12 million, $27 million, and $32 million, respectively.

It is reasonably possible that the amount of the unrecognized tax benefits with respect to our other unrecognized tax positions will increase or decrease during the next twelve months; however, an estimate of the amount or range of the change cannot be made at this time.

## 20. Other Noncurrent Liabilities

| Other Noncurrent Liabilities (millions) | January 30, 2021 | February 1, 2020 |
|---|---|---|
| Deferred compensation | $ 549 | $ 493 |
| Deferred occupancy income [(a)] | 509 | 539 |
| Income and other taxes payable | 436 | 194 |
| Workers' compensation and general liability | 341 | 310 |
| Pension benefits | 57 | 107 |
| Other | 47 | 81 |
| Total | $ 1,939 | $ 1,724 |

[(a)] To be amortized evenly through 2038.

## 21. Share Repurchase

We periodically repurchase shares of our common stock under a board-authorized repurchase program through a combination of open market transactions, accelerated share repurchase arrangements, and other privately negotiated transactions with financial institutions.

| Share Repurchase Activity (millions, except per share data) | 2020 | 2019 | 2018 |
|---|---|---|---|
| Total number of shares purchased | 5.7 | 16.0 | 27.2 |
| Average price paid per share | $ 107.58 | $ 95.07 | $ 75.88 |
| Total investment | $ 609 | $ 1,518 | $ 2,067 |

## 22. Share-Based Compensation

We maintain a long-term incentive plan (the Plan) for key team members and non-employee members of our Board of Directors. The Plan allows us to grant equity-based compensation awards, including stock options, stock appreciation rights, performance share units, restricted stock units, restricted stock awards, or a combination of awards (collectively, share-based awards). The number of unissued common shares reserved for future grants under the Plan was 35.3 million as of January 30, 2021.

Compensation expense associated with share-based awards is recognized on a straight-line basis over the required service period and reflects estimated forfeitures. Share-based compensation expense recognized in SG&A Expenses was $210 million, $152 million, and $134 million, and the related income tax benefit was $39 million, $27 million, and $26 million, in 2020, 2019, and 2018, respectively.

### Restricted Stock Units

We issue restricted stock units and performance-based restricted stock units generally with 3-year cliff or 4-year graduated vesting from the grant date (collectively restricted stock units) to certain team members. The final number of shares issued under performance-based restricted stock units is based on our total shareholder return relative to a retail peer group over a 3-year performance period. We also regularly issue restricted stock units to our Board of Directors, which vest quarterly over a 1-year period and are settled in shares of Target common stock upon departure from the Board. The fair value for restricted stock units is calculated based on the stock price on the date of grant, incorporating an analysis of the total shareholder return performance measure where applicable. The weighted average grant date fair value for restricted stock units was $110.80, $80.01, and $72.65 in 2020, 2019, and 2018, respectively.

| Restricted Stock Unit Activity | Total Nonvested Units | |
|---|---|---|
| | Restricted Stock [(a)] | Grant Date Fair Value [(b)] |
| February 1, 2020 | 4,316 | $ 72.93 |
| Granted | 1,833 | 110.80 |
| Forfeited | (358) | 80.65 |
| Vested | (1,427) | 70.55 |
| January 30, 2021 | 4,364 | $ 88.99 |

(a) Represents the number of shares of restricted stock units, in thousands. For performance-based restricted stock units, assumes attainment of maximum payout rates as set forth in the performance criteria. Applying actual or expected payout rates, the number of outstanding restricted stock units and performance-based restricted stock units as of January 30, 2021 was 4.33 million.

(b) Weighted average per unit.

The expense recognized each period is partially dependent upon our estimate of the number of shares that will ultimately be issued. As of January 30, 2021, there was $179 million of total unrecognized compensation expense related to restricted stock units, which is expected to be recognized over a weighted average period of 2.5 years. The fair value of restricted stock units vested and converted to shares of Target common stock was $151 million, $89 million, and $119 million in 2020, 2019, and 2018, respectively.

### Performance Share Units

We issue performance share units to certain team members that represent shares potentially issuable in the future. Issuance is based upon our performance, generally relative to a retail peer group, over a 3-year performance period on certain measures primarily including sales growth, after-tax return on invested capital, and EPS growth. The fair value of performance share units is calculated based on the stock price on the date of grant. The weighted average grant date fair value for performance share units was $106.00, $86.81, and $70.94 in 2020, 2019, and 2018, respectively.

| Performance Share Unit Activity | Total Nonvested Units | |
|---|---|---|
| | Performance Share Units [(a)] | Grant Date Fair Value [(b)] |
| February 1, 2020 | 3,575 | $ 72.80 |
| Granted | 786 | 106.00 |
| Forfeited | (746) | 77.73 |
| Vested | (827) | 62.50 |
| January 30, 2021 | 2,788 | $ 87.93 |

(a) Represents the number of performance share units, in thousands. Assumes attainment of maximum payout rates as set forth in the performance criteria. Applying actual or expected payout rates, the number of outstanding performance share units as of January 30, 2021 was 2.13 million.

(b) Weighted average per unit.

The expense recognized each period is partially dependent upon our estimate of the number of shares that will ultimately be issued. Future compensation expense for unvested awards could reach a maximum of $112 million assuming payout of all unvested awards. The unrecognized expense is expected to be recognized over a weighted average period of 1.7 years. The fair value of performance share units vested and converted to shares of Target common stock was $82 million, $50 million, and $43 million in 2020, 2019, and 2018, respectively.

### Stock Options

In May 2017, we granted price-vested stock options to certain team members. Additionally, through 2013, we granted nonqualified stock options to certain team members. All outstanding stock options are vested and currently exercisable.

| Stock Option Activity | Stock Options | | | | | |
|---|---|---|---|---|---|---|
| | Total Outstanding | | | Exercisable | | |
| | Number of Options [a] | Exercise Price [b] | Intrinsic Value [c] | Number of Options [a] | Exercise Price [b] | Intrinsic Value [c] |
| February 1, 2020 | 2,478 | $ 55.72 | $ 136 | 714 | $ 56.02 | $ 39 |
| Granted | — | — | | | | |
| Expired/forfeited | — | — | | | | |
| Exercised/issued | (2,011) | 55.70 | | | | |
| January 30, 2021 | 467 | $ 55.81 | $ 59 | 467 | $ 55.81 | $ 59 |

(a) In thousands.
(b) Weighted average per share.
(c) Represents stock price appreciation subsequent to the grant date, in millions.

| Stock Option Exercises (millions) | 2020 | 2019 | 2018 |
|---|---|---|---|
| Cash received for exercise price | $ 23 | $ 73 | $ 96 |
| Intrinsic value | 161 | 59 | 50 |
| Income tax benefit | 41 | 15 | 12 |

As of January 30, 2021, there was no unrecognized compensation expense related to stock options. The weighted average remaining life of exercisable and outstanding options is 2.2 years.

## 23. Defined Contribution Plans

Team members who meet eligibility requirements can participate in a defined contribution 401(k) plan by investing up to 80 percent of their eligible earnings, as limited by statute or regulation. We match 100 percent of each team member's contribution up to 5 percent of eligible earnings. Company match contributions are made to funds designated by the participant, none of which are based on Target common stock.

In addition, we maintain an unfunded, nonqualified deferred compensation plan for a broad management group whose participation in our 401(k) plan is limited by statute or regulation. These team members choose from a menu of crediting rate alternatives that are generally the same as the investment choices in our 401(k) plan, but also includes a fund based on Target common stock. We credit an additional 2 percent per year to the accounts of all active participants, excluding executive officers, in part to recognize the risks inherent to their participation in this plan. We also maintain a frozen, unfunded, nonqualified deferred compensation plan covering approximately 50 participants. Our total liability under these plans was $602 million and $551 million as of January 30, 2021, and February 1, 2020, respectively.

We mitigate our risk of offering the nonqualified plans through investing in company-owned life insurance and prepaid forward contracts that substantially offset our economic exposure to the returns of these plans. These investments are general corporate assets and are marked to market with the related gains and losses recognized in the Consolidated Statements of Operations in the period they occur.

| Plan Expenses (millions) | 2020 | 2019 | 2018 |
|---|---|---|---|
| 401(k) plan matching contributions expense | $ 281 | $ 237 | $ 229 |
| Nonqualified deferred compensation plans | | | |
| Benefits expense | $ 86 | $ 80 | $ 18 |
| Related investment (income) / expense | (58) | (53) | 6 |
| Nonqualified plans net expense | $ 28 | $ 27 | $ 24 |

## 24. Pension Plans

We have a U.S. qualified defined benefit pension plan covering team members who meet eligibility requirements. This plan is closed to new participants. Active participants accrue benefits under a final average pay feature or a cash balance feature. We also have unfunded, nonqualified pension plans for team members with qualified plan compensation restrictions, as well as international plans. Eligibility and the level of benefits under all plans vary depending on each team member's full-time or part-time status, date of hire, age, length of service, and/or compensation.

| **Funded Status** | Qualified Plan | | Nonqualified and International Plans | |
|---|---|---|---|---|
| (millions) | 2020 | 2019 | 2020 | 2019 |
| Projected benefit obligations | $ 4,594 | $ 4,492 | $ 74 | $ 66 |
| Fair value of plan assets | 4,588 | 4,430 | 11 | 11 |
| Funded / (underfunded) status | $ (6) | $ (62) | $ (63) | $ (55) |

*Contributions and Estimated Future Benefit Payments*

Our obligations to plan participants can be met over time through a combination of company contributions to these plans and earnings on plan assets. We are not required to make any contributions to our qualified defined benefit pension plan in 2021. However, depending on investment performance and plan funded status, we may elect to make a contribution.

| **Estimated Future Benefit Payments** (millions) | Pension Benefits |
|---|---|
| 2021 | $ 280 |
| 2022 | 218 |
| 2023 | 226 |
| 2024 | 233 |
| 2025 | 239 |
| 2026 - 2030 | 1,279 |

*Cost of Plans*

| **Net Pension Benefits Expense** | | | | |
|---|---|---|---|---|
| (millions) | Classification | 2020 | 2019 | 2018 |
| Service cost benefits earned | SG&A Expenses | $ 103 | $ 93 | $ 95 |
| Interest cost on projected benefit obligation | Net Other (Income) / Expense | 118 | 149 | 146 |
| Expected return on assets | Net Other (Income) / Expense | (242) | (248) | (246) |
| Amortization of losses | Net Other (Income) / Expense | 127 | 62 | 82 |
| Amortization of prior service cost | Net Other (Income) / Expense | (11) | (11) | (11) |
| Settlement charges | Net Other (Income) / Expense | 1 | 1 | 4 |
| Total | | $ 96 | $ 46 | $ 70 |

*Assumptions*

| Benefit Obligation Weighted Average Assumptions | 2020 | 2019 |
|---|---|---|
| Discount rate | 2.84 % | 3.13 % |
| Average assumed rate of compensation increase | 3.00 | 3.00 |
| Cash balance plan interest crediting rate | 4.64 | 4.64 |

| Net Periodic Benefit Expense Weighted Average Assumptions | 2020 | 2019 | 2018 |
|---|---|---|---|
| Discount rate | 3.13 % | 4.28 % | 3.93 % |
| Expected long-term rate of return on plan assets | 6.10 | 6.30 | 6.30 |
| Average assumed rate of compensation increase | 3.00 | 3.00 | 3.00 |
| Cash balance plan interest crediting rate | 4.64 | 4.64 | 4.64 |

The weighted average assumptions used to measure net periodic benefit expense each year are the rates as of the beginning of the year (i.e., the prior measurement date). Our most recent compound annual rate of return on qualified plan assets was 10.2 percent, 9.0 percent, 7.6 percent, and 7.0 percent for the 5-year, 10-year, 15-year, and 20-year time periods, respectively.

The market-related value of plan assets is used in calculating the expected return on assets. Historical differences between expected and actual returns are deferred and recognized in the market-related value over a 5-year period from the year in which they occur.

We review the expected long-term rate of return annually and revise it as appropriate. Additionally, we monitor the mix of investments in our portfolio to ensure alignment with our long-term strategy to manage pension cost and reduce volatility in our assets. Our 2020 expected annualized long-term rate of return assumptions were 7.0 percent for domestic equity securities, 7.5 percent for international equity securities, 3.5 percent for long-duration debt securities, 7.0 percent for diversified funds, and 7.5 percent for other investments. These estimates are a judgmental matter in which we consider the composition of our asset portfolio, our historical long-term investment performance, and current market conditions.

*Benefit Obligation*

| Change in Projected Benefit Obligation | Qualified Plan | | Nonqualified and International Plans | |
|---|---|---|---|---|
| (millions) | 2020 | 2019 | 2020 | 2019 |
| Benefit obligation at beginning of period | $ 4,492 | $ 3,905 | $ 66 | $ 53 |
| Service cost | 97 | 90 | 6 | 3 |
| Interest cost | 117 | 146 | 1 | 3 |
| Actuarial loss [(a)] | 144 | 615 | 7 | 11 |
| Participant contributions | 7 | 11 | — | — |
| Benefits paid | (263) | (275) | (6) | (4) |
| Benefit obligation at end of period [(b)] | $ 4,594 | $ 4,492 | $ 74 | $ 66 |

(a) 2020 and 2019 actuarial losses relate to the decreases in the weighted average discount rate.

(b) Accumulated benefit obligation—the present value of benefits earned to date assuming no future salary growth—is materially consistent with the projected benefit obligation in each period presented.

*Plan Assets*

| **Change in Plan Assets** | Qualified Plan | | Nonqualified and International Plans | |
|---|---|---|---|---|
| (millions) | 2020 | 2019 | 2020 | 2019 |
| Fair value of plan assets at beginning of period | $ 4,430 | $ 3,915 | $ 11 | $ 10 |
| Actual return on plan assets | 414 | 729 | 2 | — |
| Employer contributions | — | 50 | 4 | 5 |
| Participant contributions | 7 | 11 | — | — |
| Benefits paid | (263) | (275) | (6) | (4) |
| Fair value of plan assets at end of period | $ 4,588 | $ 4,430 | $ 11 | $ 11 |

Our asset allocation policy is designed to reduce the long-term cost of funding our pension obligations. The plan invests with both passive and active investment managers depending on the investment. The plan also seeks to reduce the risk associated with adverse movements in interest rates by employing an interest rate hedging program, which includes the use of derivative instruments.

| **Asset Category** | Current Targeted Allocation | Actual Allocation | |
|---|---|---|---|
| | | 2020 | 2019 |
| Domestic equity securities [(a)] | 15 % | 16 % | 14 % |
| International equity securities | 10 | 10 | 10 |
| Debt securities | 45 | 44 | 46 |
| Diversified funds | 25 | 25 | 25 |
| Other [(b)] | 5 | 5 | 5 |
| Total | 100 % | 100 % | 100 % |

(a) Equity securities include our common stock in amounts substantially less than 1 percent of total plan assets in both periods presented.

(b) Other assets include private equity, mezzanine and high-yield debt, natural resources and timberland funds, derivative instruments, and real estate.

| Fair Value Measurements (millions) | Pricing Category | Fair Value at January 31, 2021 | Fair Value at January 31, 2020 |
|---|---|---|---|
| Cash and cash equivalents | Level 1 | $ 19 | $ 12 |
| Derivatives | Level 2 | (5) | 18 |
| Government securities [(a)] | Level 2 | 516 | 604 |
| Fixed income [(b)] | Level 2 | 1,424 | 1,330 |
| | | 1,954 | 1,964 |
| Investments valued using NAV per share [(c)] | | | |
| Fixed income | | 68 | 64 |
| Private equity funds | | 73 | 75 |
| Cash and cash equivalents | | 115 | 163 |
| Common collective trusts | | 1,122 | 961 |
| Diversified funds | | 1,165 | 1,109 |
| Other | | 102 | 105 |
| Total plan assets | | $ 4,599 | $ 4,441 |

(a) Investments in government securities and long-term government bonds.

(b) Investments in corporate and municipal bonds.

(c) In accordance with Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

| Position | Valuation Technique |
|---|---|
| Cash and cash equivalents | Carrying value approximates fair value. |
| Derivatives | Swap derivatives - Valuations are based on observable inputs to the valuation model (e.g., interest rates and credit spreads). Model inputs are changed only when corroborated by market data. A credit risk adjustment is made on each swap using observable market credit spreads.<br><br>Option derivatives - Valued at transaction price initially. Subsequent valuations are based on observable inputs to the valuation model (e.g., underlying investments). |
| Government securities and fixed income | Valued using matrix pricing models and quoted prices of securities with similar characteristics. |

*Amounts Included in Shareholders' Investment*

| Amounts in Accumulated Other Comprehensive Loss (millions) | 2020 | 2019 |
|---|---|---|
| Net actuarial loss | $ 987 | $ 1,138 |
| Prior service credits | (2) | (13) |
| Amounts in Accumulated Other Comprehensive Loss [(a)] | $ 985 | $ 1,125 |

(a) $735 million and $837 million, net of tax, at the end of 2020 and 2019, respectively.

## 25. Accumulated Other Comprehensive Loss

| Change in Accumulated Other Comprehensive Loss (millions) | Cash Flow Hedges | Currency Translation Adjustment | Pension | Total |
|---|---|---|---|---|
| February 1, 2020 | $ (12) | $ (19) | $ (837) | $ (868) |
| Other comprehensive income before reclassifications, net of tax | 3 | 1 | 15 | 19 |
| Amounts reclassified from AOCI, net of tax | 6 [(a)] | — | 87 [(b)] | 93 |
| January 30, 2021 | $ (3) | $ (18) | $ (735) | $ (756) |

(a) Represents amortization of gains and losses on cash flow hedges, net of taxes, which is recorded in Net Interest Expense.

(b) Represents amortization of pension gains and losses, net of $30 million of taxes, which is recorded in Net Other (Income)/Expense. See Note 24 for additional information.

## Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

## Item 9A. Controls and Procedures

### Changes in Internal Control Over Financial Reporting

During the most recently completed fiscal quarter, the following changes materially affected, or are reasonably likely to materially affect, our internal control over financial reporting:

- We are in the process of a broad multi-year migration of many mainframe-based systems and middleware products to a modern platform, including systems and processes supporting inventory and supply chain-related transactions.
- During 2020, as a result of COVID-19, we performed physical inventory counts using a statistical sampling method. Under this method, we have recorded estimated losses related to shrink and markdowns based upon the results of our sample counts.

During the most recently completed fiscal quarter, no other change in our internal control over financial reporting materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

### Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Annual Report, we conducted an evaluation, under supervision and with the participation of management, including the chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rules 13a-15 and 15d-15 of the Securities Exchange Act of 1934, as amended (Exchange Act). Based upon that evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures are effective at a reasonable assurance level. Disclosure controls and procedures are defined by Rules 13a-15(e) and 15d-15(e) of the Exchange Act as controls and other procedures that are designed to ensure that information required to be disclosed by us in reports filed with the SEC under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in reports filed under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

For the Report of Management on Internal Control and the Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting, see Part II, Item 8, Financial Statements and Supplementary Data.

## Item 9B. Other Information

Not applicable.

# PART III

Certain information required by Part III is incorporated by reference from Target's definitive Proxy Statement for the Annual Meeting of Shareholders to be held on June 9, 2021 (our Proxy Statement). Except for those portions specifically incorporated in this Form 10-K by reference to the Proxy Statement, no other portions of the Proxy Statement are deemed to be filed as part of this Form 10-K.

## Item 10. Directors, Executive Officers and Corporate Governance

The following sections of the Proxy Statement are incorporated herein by reference:

- Item one--Election of directors
- General information about corporate governance and the Board
  - Business ethics and conduct
  - Committees
- Questions and answers about the 2021 Annual Meeting and voting--Question 14

See also Part I, Item 4A, Executive Officers of this Form 10-K.

## Item 11. Executive Compensation

The following sections of the Proxy Statement are incorporated herein by reference:

- Compensation Discussion and Analysis
- Compensation tables
- Human Resources & Compensation Committee Report

## Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following sections of the Proxy Statement are incorporated herein by reference:

- Stock ownership information--
  - Beneficial ownership of directors and officers
  - Beneficial ownership of Target’s largest shareholders
- Compensation tables--Equity compensation plan information

## Item 13. Certain Relationships and Related Transactions, and Director Independence

The following sections of the Proxy Statement are incorporated herein by reference:

- General information about corporate governance and the Board of Directors--
  - Policy on transactions with related persons
  - Director independence
  - Committees

## Item 14. Principal Accountant Fees and Services

The following section of the Proxy Statement is incorporated herein by reference:

- Item two-- Ratification of appointment of Ernst & Young LLP as independent registered public accounting firm--audit and non-audit fees

# PART IV

## Item 15. Exhibits, Financial Statement Schedules

The following information required under this item is filed as part of this report:

### a) Financial Statements

- Consolidated Statements of Operations for the Years Ended January 30, 2021, February 1, 2020, and February 2, 2019
- Consolidated Statements of Comprehensive Income for the Years Ended January 30, 2021, February 1, 2020, and February 2, 2019
- Consolidated Statements of Financial Position as of January 30, 2021, and February 1, 2020
- Consolidated Statements of Cash Flows for the Years Ended January 30, 2021, February 1, 2020, and February 2, 2019
- Consolidated Statements of Shareholders' Investment for the Years Ended January 30, 2021, February 1, 2020, and February 2, 2019
- Notes to Consolidated Financial Statements
- Report of Independent Registered Public Accounting Firm on Consolidated Financial Statements

### Financial Statement Schedules

None.

Other schedules have not been included either because they are not applicable or because the information is included elsewhere in this Report.

**b) Exhibits**

| | | |
|---|---|---|
| (3)A | | Amended and Restated Articles of Incorporation (as amended through June 9, 2010) (1) |
| B | | Bylaws (as amended through March 27, 2020) (2) |
| (4)A | | Indenture, dated as of August 4, 2000 between Target Corporation and Bank One Trust Company, N.A. (3) |
| B | | First Supplemental Indenture dated as of May 1, 2007 to Indenture dated as of August 4, 2000 between Target Corporation and The Bank of New York Trust Company, N.A. (as successor in interest to Bank One Trust Company N.A.) (4) |
| C | | Target agrees to furnish to the Commission on request copies of other instruments with respect to long-term debt. |
| D | | Description of Securities |
| (10)A | * | Target Corporation Executive Officer Cash Incentive Plan |
| B | * | Target Corporation Long-Term Incentive Plan (as amended and restated effective June 8, 2011) (5) |
| C | * | Amended and Restated Target Corporation 2011 Long-Term Incentive Plan (as amended and restated effective September 1, 2017) (6) |
| D | * | Target Corporation 2020 Long-Term Incentive Plan (7) |
| E | * | Target Corporation SPP I (2016 Plan Statement) (as amended and restated effective April 3, 2016) (8) |
| F | * | Target Corporation SPP II (2016 Plan Statement) (as amended and restated effective April 3, 2016) (9) |
| G | * | Target Corporation SPP III (2014 Plan Statement) (as amended and restated effective January 1, 2014) (10) |
| H | * | Amendment to Target Corporation SPP III (2014 Plan Statement) (effective April 3, 2016) (11) |
| I | * | Target Corporation Officer Deferred Compensation Plan (as amended and restated effective June 8, 2011) (12) |
| J | * | Target Corporation Officer EDCP (2021 Plan Statement) (as amended and restated effective January 1, 2021) |
| K | * | Target Corporation Deferred Compensation Plan Directors (13) |
| L | * | Target Corporation DDCP (2013 Plan Statement) (as amended and restated effective December 1, 2013) (14) |
| M | * | Target Corporation Officer Income Continuation Plan (as amended and restated effective September 1, 2017) (15) |
| N | * | Target Corporation Executive Excess Long Term Disability Plan (as restated effective January 1, 2010) (16) |
| O | * | Director Retirement Program (17) |
| P | * | Target Corporation Deferred Compensation Trust Agreement (as amended and restated effective January 1, 2009) (18) |
| Q | * | Amendment dated June 8, 2011 to Target Corporation Deferred Compensation Trust Agreement (as amended and restated effective January 1, 2009) (19) |
| R | * | Amendment dated October 25, 2017 to Target Corporation Deferred Compensation Trust Agreement (as amended and restated effective January 1, 2009) (20) |
| S | * | Amendment dated December 18, 2020 to Target Corporation Deferred Compensation Trust Agreement (as amended and restated effective January 1, 2009) |
| T | * | Form of Amended and Restated Executive Non-Qualified Stock Option Agreement (21) |
| U | * | Form of Restricted Stock Unit Agreement |
| V | * | Form of Performance-Based Restricted Stock Unit Agreement |
| W | * | Form of Performance Share Unit Agreement |
| X | * | Form of Price-Vested Stock Option Agreement (22) |
| Y | * | Form of Non-Employee Director Non-Qualified Stock Option Agreement (23) |
| Z | * | Form of Non-Employee Director Restricted Stock Unit Agreement (24) |
| AA | * | Form of Cash Retention Award (25) |

| | | |
|---|---|---|
| BB | * | Aircraft Time Sharing Agreement as of March 13, 2015 among Target Corporation and Brian C. Cornell (26) |
| CC | * | Transition Agreement dated January 7, 2019 (27) |
| DD | | Five-Year Credit Agreement dated as of October 5, 2016 among Target Corporation, Bank of America, N.A. as Administrative Agent and the Banks listed therein (28) |
| EE | | Extension Amendment dated August 7, 2017 to Five-Year Credit Agreement among Target Corporation, Bank of America, N.A. as Administrative Agent and the Banks listed therein (29) |
| FF | | Second Extension Amendment dated August 6, 2018 to Five-Year Credit Agreement among Target Corporation, Bank of America, N.A. as Administrative Agent and the Banks listed therein (30) |
| GG | ‡ | Credit Card Program Agreement dated October 22, 2012 among Target Corporation, Target Enterprise, Inc. and TD Bank USA, N.A. (31) |
| HH | ‡ | First Amendment dated February 24, 2015 to Credit Card Program Agreement among Target Corporation, Target Enterprise, Inc. and TD Bank USA, N.A. (32) |
| II | † | Second Amendment dated November 19, 2019 to Credit Card Program Agreement among Target Corporation, Target Enterprise, Inc. and TD Bank USA, N.A. (33) |
| JJ | ‡ | Pharmacy Operating Agreement dated December 16, 2015 between Target Corporation and CVS Pharmacy, Inc. (34) |
| KK | ‡ | First Amendment dated November 30, 2016 to Pharmacy Operating Agreement between Target Corporation and CVS Pharmacy, Inc. (35) |
| LL | | Second Amendment dated January 9, 2018 to Pharmacy Operating Agreement between Target Corporation and CVS Pharmacy, Inc. (36) |
| (21) | | List of Subsidiaries |
| (23) | | Consent of Independent Registered Public Accounting Firm |
| (24) | | Powers of Attorney |
| (31)A | | Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| (31)B | | Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| (32)A | | Certification of the Chief Executive Officer Pursuant to Section 18 U.S.C. Section 1350 Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| (32)B | | Certification of the Chief Financial Officer Pursuant to Section 18 U.S.C. Section 1350 Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 101.INS | | XBRL Instance Document |
| 101.SCH | | XBRL Taxonomy Extension Schema |
| 101.CAL | | XBRL Taxonomy Extension Calculation Linkbase |
| 101.DEF | | XBRL Taxonomy Extension Definition Linkbase |
| 101.LAB | | XBRL Taxonomy Extension Label Linkbase |
| 101.PRE | | XBRL Taxonomy Extension Presentation Linkbase |

Copies of exhibits will be furnished upon written request and payment of Registrant's reasonable expenses in furnishing the exhibits.

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‡ Certain portions of this exhibit have been omitted pursuant to a request for confidential treatment and have been filed separately with the Securities and Exchange Commission.

† Certain portions of this exhibit are confidential and have been omitted pursuant to Item 601(b)(10) of Regulation S-K. Target agrees to supplementally furnish to the Securities and Exchange Commission a copy of such omissions upon request.

* Management contract or compensation plan or arrangement required to be filed as an exhibit to this Form 10-K.

(1) Incorporated by reference to Exhibit (3)A to Target's Form 8-K Report filed June 10, 2010.
(2) Incorporated by reference to Exhibit (3)B to Target's Form 8-K Report filed April 2, 2020.
(3) Incorporated by reference to Exhibit 4.1 to Target's Form 8-K Report filed August 10, 2000.
(4) Incorporated by reference to Exhibit 4.1 to the Registrant's Form 8-K Report filed May 1, 2007.
(5) Incorporated by reference to Exhibit (10)B to Target's Form 10-Q Report for the quarter ended July 30, 2011.
(6) Incorporated by reference to Exhibit (10)C to Target's Form 10-Q Report for the quarter ended July 29, 2017.

*(7)* Incorporated by reference to Exhibit (10) D to Target's Form 8-K Report filed June 11, 2020.
(8) Incorporated by reference to Exhibit (10)C to Target's Form 10-Q Report for the quarter ended April 30, 2016.
*(9)* Incorporated by reference to Exhibit (10)D to Target's Form 10-Q Report for the quarter ended April 30, 2016.
*(10)* Incorporated by reference to Exhibit (10)E to Target's Form 10-K Report for the year ended February 1, 2014.
*(11)* Incorporated by reference to Exhibit (10)NN to Target's Form 10-Q Report for the quarter ended April 30, 2016.
*(12)* Incorporated by reference to Exhibit (10)F to Target's Form 10-Q Report for the quarter ended July 30, 2011.
*(13)* Incorporated by reference to Exhibit (10)I to Target's Form 10-K Report for the year ended February 3, 2007.
*(14)* Incorporated by reference to Exhibit (10)I to Target's Form 10-K Report for the year ended February 1, 2014.
*(15)* Incorporated by reference to Exhibit (10)L to Target's Form 10-Q Report for the quarter ended July 29, 2017.
*(16)* Incorporated by reference to Exhibit (10)A to Target's Form 10-Q Report for the quarter ended October 30, 2010.
*(17)* Incorporated by reference to Exhibit (10)O to Target's Form 10-K Report for the year ended January 29, 2005.
*(18)* Incorporated by reference to Exhibit (10)O to Target's Form 10-K Report for the year ended January 31, 2009.
*(19)* Incorporated by reference to Exhibit (10)AA to Target's Form 10-Q Report for the quarter ended July 30, 2011.
*(20)* Incorporated by reference to Exhibit (10)MM to Target's Form 10-Q Report for the quarter ended October 28, 2017.
*(21)* Incorporated by reference to Exhibit (10)V to Target's Form 10-K Report for the year ended January 31, 2015.
*(22)* Incorporated by reference to Exhibit (10)JJ to Target's Form 10-Q Report for the quarter ended April 29, 2017.
*(23)* Incorporated by reference to Exhibit (10)EE to Target's Form 8-K Report filed January 11, 2012.
*(24)* Incorporated by reference to Exhibit (10)Y to Target's Form 10-Q Report for the quarter ended August 1, 2020.
(25) Incorporated by reference to Exhibit (10)W to Target's Form 10-K Report for the year ended February 2, 2013.
*(26)* Incorporated by reference to Exhibit (10)HH to Target's Form 10-K Report for the year ended January 31, 2015.
*(27)* Incorporated by reference to Exhibit (10)A to Target's Form 8-K Report filed January 10, 2019.
*(28)* Incorporated by reference to Exhibit (10)O to Target's Form 10-Q Report for the quarter ended October 29, 2016.
*(29)* Incorporated by reference to Exhibit (10)LL to Target's Form 10-Q Report for the quarter ended October 28, 2017.
*(30)* Incorporated by reference to Exhibit (10)II to Target's Form 10-Q Report for the quarter ended November 3, 2018.
*(31)* Incorporated by reference to Exhibit (10)X to Target's Form 10-Q/A Report for the quarter ended May 4, 2013.
*(32)* Incorporated by reference to Exhibit (10)II to Target's Form 10-Q Report for the quarter ended May 2, 2015.
*(33)* Incorporated by reference to Exhibit (10)HH to Target's Form 10-K Report for the year ended February 1, 2020.
(34) Incorporated by reference to Exhibit (10)KK to Target's Form 10-K Report for the year ended January 30, 2016.
*(35)* Incorporated by reference to Exhibit (10)CC to Target's Form 10-K Report for the year ended January 28, 2017.
*(36)* Incorporated by reference to Exhibit (10)HH to Target's Form 10-K Report for the year ended February 3, 2018.

# SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Target has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TARGET CORPORATION

By:

Dated: March 10, 2021

Michael J. Fiddelke
*Executive Vice President and Chief Financial Officer*

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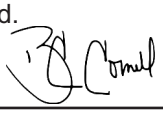
Pursuant to the requirements of the Securities Exchange Act of 1934, the report has been signed below by the following persons on behalf of Target and in the capacities and on the dates indicated.

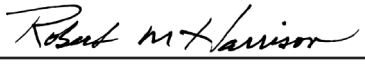


Brian C. Cornell
*Chairman of the Board and Chief Executive Officer*

Dated: March 10, 2021

Michael J. Fiddelke
*Executive Vice President and Chief Financial Officer*

Dated: March 10, 2021



Robert M. Harrison
*Senior Vice President, Chief Accounting Officer and Controller*

Dated: March 10, 2021

| | | |
|---|---|---|
| DOUGLAS M. BAKER, JR. | CHRISTINE A. LEAHY | |
| GEORGE S. BARRETT | MONICA C. LOZANO | |
| CALVIN DARDEN | MARY E. MINNICK | |
| ROBERT L. EDWARDS | DERICA W. RICE | |
| MELANIE L. HEALEY | KENNETH L. SALAZAR | |
| DONALD R. KNAUSS | DMITRI L. STOCKTON | Constituting a majority of the Board of Directors |

Michael J. Fiddelke, by signing his name hereto, does hereby sign this document pursuant to powers of attorney duly executed by the Directors named, filed with the Securities and Exchange Commission on behalf of such Directors, all in the capacities and on the date stated.

By:

Dated: March 10, 2021

Michael J. Fiddelke
*Attorney-in-fact*