



## Responsibility.

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

This commitment reflects a conscious, company-wide dedication to constant innovation and improvement in everything we do. We strive to ensure the ongoing health and strength of our communities by giving more than \$3 million each week and hundreds of thousands of volunteer hours in support of education, arts and social service organizations. We show respect for our physical environment through the products we offer, the facilities we build, the vendors we work with, and the resources and materials we use. And we pursue strategies that generate double-digit average annual earnings per share growth over time.

We are committed to consistently delighting our guests, providing a workplace that is preferred by our team members and investing in the communities where we do business to improve the quality of life.

This unique combination helps us create the excitement Target guests expect and the shopping experience they love.







## Social.

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Since 1946, we have contributed 5 percent of our annual income to programs that serve our communities. Today, this long-standing tradition means that more than \$3 million every week goes to education initiatives that inspire children to learn, make it possible for families to experience the arts and to partner with a variety of social service agencies, families and communities across the country.

Our financial support is just the beginning. Team members across the country regularly offer hands-on help to nonprofit organizations, volunteering hundreds of thousands of hours of their time and talent, and immeasurable amounts of heartfelt generosity. The philosophy of giving, sharing and helping is embraced at every level of our organization, it's part of our DNA.



**Commitment to Preparedness** Target provides support for disaster preparedness, relief and recovery efforts with key partners, including American Red Cross, The Salvation Army, America's Second Harvest and National Center for Missing and Exploited Children.

**Learning Opportunities** Target supports education for children in a wide variety of ways, including the new Target Field Trip Grant Program, which provides up to \$1,000 for a classroom field trip. For the 2007–2008 school year, 1,600 classes will benefit from this program.



**Hands and Hearts at Work** More than 70,000 Target team members, retirees, family members and friends volunteered nearly 315,000 hours last year through a wide variety of initiatives, including team

fundraising walks, one-on-one reading programs and a variety of local community projects.





**Playing It Safe** Target is the exclusive sponsor of National Night Out, a grass roots event that brings communities together. Target also supports programs fostering safer families and communities, including family violence prevention and our Target & Blue<sup>SM</sup> partnership.



**Design for All<sup>®</sup>** Target believes that every aspect of life is enhanced by art and design, and supports programs that make these experiences more accessible to families. For instance, Target offers more than 1,700 Free Days at Arts organizations across the country.

Look around your Target store and you'll see some familiar faces. That's because our team members are your neighbors and friends, with the same cares and concerns as you have. Target stores reflect your local, diverse community in hiring and team member development; in addition, you'll find that the products on our shelves reflect your tastes, culture and lifestyle. Our success as a national retailer comes from strong local roots, and we are committed to serving and celebrating our communities. Diversity has been one of our strengths as a company and will continue to be an important part of our business strategy as we expand into new markets.



**A Home Away from Home** Target House<sup>®</sup> offers free, fully equipped apartments for the families of long-term patients at St. Jude Children's Research Hospital. Sharing shelter together, families find relief from a stressful time by taking comfort in a close-knit community.



**A Team Unlike Any Other** Every Target store team is unique. That's because each is made up of unique individuals with their own blend of talents and experiences. We value each person's individuality, and celebrate the differences that create a dynamic, diverse team.





## Environmental.

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Target strives to be a responsible steward of the environment. As a leader in recycling and salvage, minimizing our impact on the environment has been a part of our daily processes for decades. In addition to complying with all environmental regulations, we seek to continuously improve our business practices to use our resources responsibly, minimize our carbon footprint, develop facilities that align environmental, community and business needs, and influence our vendors and suppliers to embrace sustainable practices.

We also strive to satisfy our guests' preferences by offering natural, organic and eco-friendly products, including items made from recycled materials or all-natural ingredients. We also use environmentally friendly packaging for our private-label brands whenever possible, minimizing post-consumer waste.



**Sensible Solutions** Target stores are designed and constructed to align environmental, community and business needs. In fact, two stores in Chicago are at the forefront of sustainable building,

earning LEED® certification that identifies them as high-performance green buildings, based on site development, water savings, energy efficiency, materials selection and indoor environmental quality.



**Buy Bio** Target GiftCards<sup>SM</sup> have been made using resins composed of renewable resources; the next natural step was to use a 100 percent biodegradable material. In 2007, designs will be offered on PHA, a resin made from plant ingredients.



**Organic Appeal** Organic products attract on two levels: no polluting chemicals during cultivation, plus nothing artificial in the product itself. All that's left: the pure appeal of items such as Archer Farms® organic cereal, pasta and more. We've been certified by the U.S. Department of Agriculture as an organic produce retailer since August 2006.



**Eco Partners** As we partner with vendors and suppliers in finding opportunities to minimize environmental impact, we discover new ways to offer guests healthy, eco-friendly choices — for example, Method products with nontoxic ingredients and natural fragrances.

Target looks both inward and outward for opportunities to be a force for positive change. We seek to use resources responsibly, work to eliminate waste and offer products in our stores that minimize harm to the environment, such as the organic ingredients in many Archer Farms selections. By encouraging systematic solutions, caring about the environment becomes an essential part of every business decision. As a result, making an eco-conscious choice becomes second nature.



**Reduce, Recycle + Rethink** In 2006 alone, we recycled more than 911.1 million pounds of cardboard. We reuse 385 million hangers a year. In fact, 70 percent of our solid-waste materials are now redirected from landfills. And we're working to improve that every day.



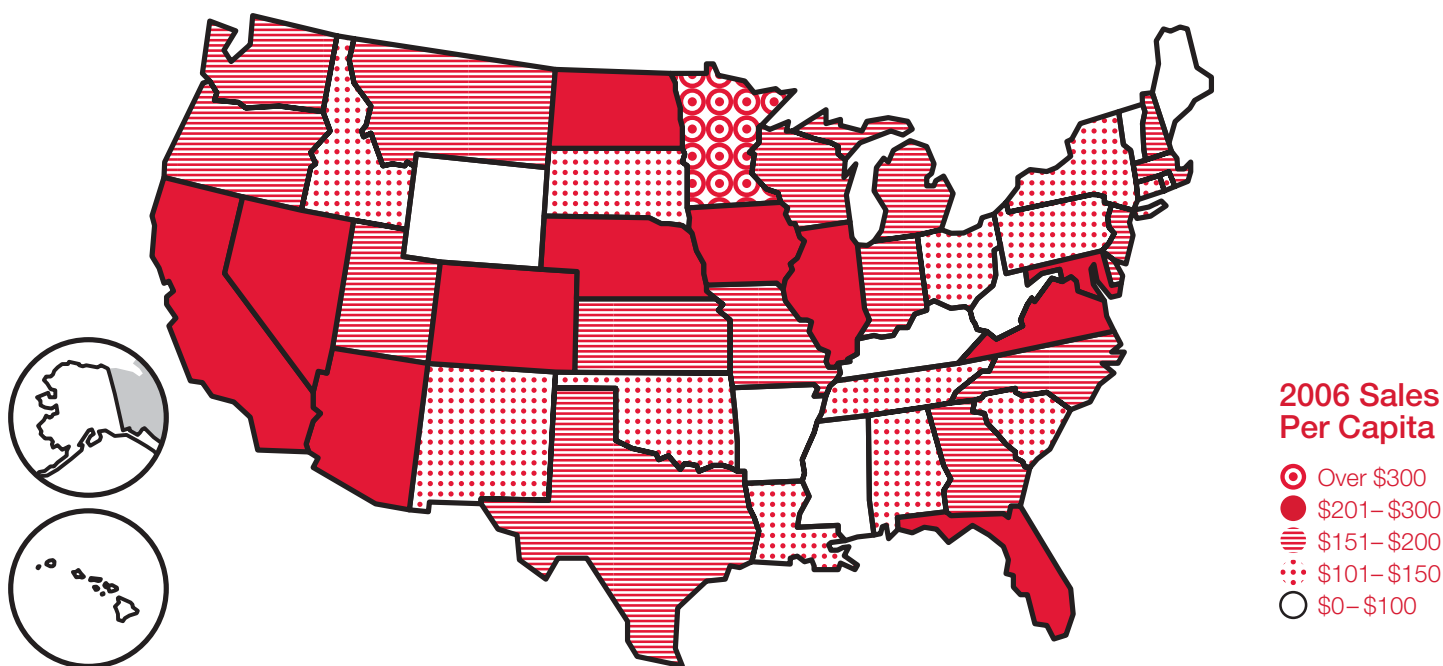
Economic.



We make a strong brand promise to our guests: Expect More. Pay Less.<sup>®</sup> Our promise to shareholders is equally important: To provide consistent growth plus a long-term plan to sustain our success. So we use every tool available to us to drive sales: innovative marketing, REDcard<sup>SM</sup> products, partnerships with high-profile designers and exclusive offerings. We provide team members with a rewarding work environment. We take a disciplined approach to controlling inventory, managing expenses and sourcing profitable new store sites. It's how we thrive in this competitive marketplace as we create more opportunities for profitable growth.



**The A List** Fashionable, well-designed choices that delight consumers turn a short shopping list into a full cart. Our numbers show the outstanding results, with total revenues increasing 13.1 percent in 2006, and an average of 12.5 percent over the last five years.



**Grand Openings** One hundred thirteen new stores opened in 2006, as well as three new distribution centers to support system growth. Our forecasts envision adding 100 net new stores every year for the foreseeable future, potentially doubling the number of stores from our

current 1,500 to 3,000 stores by 2022. And our strong brand presence is not limited to our physical locations, as Target.com offers exclusive, experience-rich online access to an unprecedented number of products, adding selection and convenience to our in-store offerings.

Being committed to the social, economic and environmental health of the communities we serve is as integral to our success as pleasing our guests or creating a rewarding workplace for our team members. This commitment began in 1918 when company founder George Draper Dayton formed a corporate foundation to give to the community. Since 1946, we have given 5 percent of our income to organizations that support education, the arts and social services.

Today, Target continues to work hard to enhance the worldwide communities we serve. Our financial contributions to programs that inspire education and learning, increase access to the arts, and promote safety and well-being now total more than \$3 million each week. We also endeavor to design stores that complement and respect local environmental conditions, even as we continue to grow, and we offer a selection of natural, organic and eco-friendly products that reflect market demand and guest preferences. In addition, we strive to adhere to the principles of integrity and strong corporate governance that have guided our business conduct and performance for decades.

While our record of corporate responsibility is strong, we recognize that there is always more that can be done. As a result, our approach is focused on continuous improvement, consistent with the strategy we pursue throughout our business in our merchandising, our stores, our systems and our supply chain. We are pleased to issue this Corporate Responsibility Report, which provides information about our social, economic and environmental initiatives, and we will continue to update our progress in these areas in the future.

Sincerely,



Bob Ulrich  
Chairman and CEO





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## Social Responsibility.

As a good corporate citizen, Target works to strengthen families and communities wherever we do business. Our commitment is tangible and focused:

- Target contributes 5 percent of our income, amounting to more than \$3 million each week, to programs that inspire learning, make families and communities safer, and make the arts affordable and accessible
- Team members volunteer hundreds of thousands of hours of their time and technical expertise to nonprofit organizations each year
- We are committed to reflecting and supporting Target's diverse communities in our:
  - Hiring and team member development
  - Merchandise and marketing
  - Community programs and contributions





## Community Giving

Target has a long-standing tradition of strengthening families and communities through innovative programs and partnerships. Since 1946, we have contributed 5 percent of our annual income to support families and communities, and today we remain one of very few companies that maintains this level of sustained giving. Target gives more than \$3 million each week to the communities in which we do business. Our giving is directed both by Target and by the Target Foundation, each with specific areas of focus and commitment. For updated information on our programs and partnerships, please visit [Target.com/community](http://Target.com/community).

Target supports families and communities in four primary areas:

- **Education** – We are committed to playing an active role in supporting education, with special emphasis on early childhood reading and support of teachers and classrooms.
- **Arts** – We are committed to increasing the visibility and accessibility of art and cultural experiences to families through sponsorships of programs, exhibits and performances.
- **Safe Families and Communities** – Target focuses on fostering safe families and communities through a number of community initiatives. We support family violence prevention initiatives and partner with local law enforcement agencies to strengthen communities. In addition, Target also has a long-standing commitment to support disaster preparedness, relief and recovery efforts.
- **Team Member Involvement** – Target team members strive to make a difference in our communities by generously giving their time, talent and personal contributions.

## Education

Our guests continue to tell us that support for education is a top priority. Target is committed to making a positive difference in our communities by enhancing educational efforts for children across the country. Target funds programs that promote a love of reading and inspire children to learn. Target education programs reach children from birth through high school, primarily through early childhood reading programs and support of teachers and classrooms.

### Early Childhood Reading

Statistics show that children who don't learn to read by age nine may never catch up. Through our national reading programs and local reading grants, Target provides resources, tools and inspiration to encourage adults to foster a love of reading early in children's lives and reinforce the importance of reading as a foundation for lifelong learning.

**Ready.Sit.Read!<sup>SM</sup>** – An initiative to help raise awareness for the importance of reading. This program includes partnerships with publishers and resources for parents including in-store book recommendations.

- **Book Festivals** – Engages families in reading by providing live entertainment, costumed characters and opportunities to meet children's book authors and illustrators.

**United Through Reading (UTR)** – A program that connects military families through reading. A deployed parent is videotaped reading a children's book and the recording is mailed to the child, who then watches it and is given the chance to strengthen his or her bond with a deployed parent. Target's support has allowed this program to expand to all branches of the military.





Target funds education programs to inspire a love of learning from birth through high school and beyond.

**Reach Out and Read (ROR)** – A national nonprofit organization that promotes early literacy by making books a routine part of pediatric care. ROR reinforces the parent's role as the first and most important teacher and gives parents tools and techniques to help their children succeed. By building on the unique relationship between parents and medical providers, ROR encourages early literacy skills by providing children with books at each wellness visit through age 5. Target has partnered with ROR to bring the message of reading to pediatrician offices across the country.

**Reading Grants** – Financial grants are awarded to schools, libraries and nonprofit organizations with programs that promote a love of reading and encourage families to read together. Local store grant recipients are determined by each Target store location across 47 states. Target focuses on programs that inspire the youngest readers (birth through third grade). Apply for grants online at [Target.com/grants](http://Target.com/grants).

## Teachers and Classrooms

Through our programs in support of teachers and classrooms, Target helps give educators the tools they need to inspire learning and enrich the classroom experience.

**Take Charge of Education® (TCOE)** – Launched in April 1997, this rewards program takes the Target tradition of giving to the heart of our communities — our schools. Since the program was launched, Target has donated more than \$200 million to schools nationwide. Target cardholders designate an eligible K–12 school, and Target donates 1 percent of their Target Visa or Target Card purchases made at Target and Target.com, and ½ percent of Target Visa purchases made anywhere else, to the designated schools. This program is available to any K–12 public, private or charter school with a 501(c)(3) or 509(a)(1) tax-exempt status. More than 8.9 million Target cardholders and more than 110,000 schools have participated in the program since its inception. Target distributes the accumulated donations in March and September each year. To learn how much a specific school has received in donations from this program, visit [Target.com/tcoe](http://Target.com/tcoe) or call 1-800-316-6142.

**Target Field Trip Grant Program** – To foster learning outside of K–12 classrooms, Target launched its Field Trip Grant Program in fall 2006. Of nearly 17,000 applications received from K–12 programs across all 50 states, 800 were selected to receive a grant of up to \$1,000 to cover costs related to a field trip in their curriculum. In addition, all 800 Target Field Trip recipients get a kit to celebrate and document this special occasion for their class. For the 2007-2008 school year, we will award 1,600 grants.

**Kids In Need Teacher Resource Centers** – These resource centers solicit and distribute free supplies to teachers and schools for use by children most in need. Target became the first sponsor of the Kids In Need Resource Center program in 1999 with the opening of the Minneapolis center, and is currently the National Presenting Sponsor of all 22 teacher resource centers across the country.

## Grants and Scholarships

In addition to the millions donated to schools each year through the Take Charge of Education program, Target supports education through arts grants, reading grants and scholarships.

**United Negro College Fund (UNCF)** – Target is proud to support the UNCF, the nation's most successful education assistance organization for African Americans. Target provides assistance through scholarships, raises operating funds for colleges and universities, and gives students and faculty better access to technology.

**Hispanic Scholarship Fund** – The Hispanic Scholarship Fund is the largest Hispanic scholarship-awarding organization in the country. Target provides financial assistance through scholarships to many deserving students.

## Arts

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

## Accessibility

At the heart of Target's support of the arts are free days, reduced-admission programs and touring programs that make the arts accessible for all. We sponsor more than 1,700 free days annually at more than 30 museums and theaters across the country, such as:

- Atlanta – The High Museum: Target Free Family Fun Days
- Boston – Institute of Contemporary Art: Target Free Thursday Nights
- Boston – Boston Children's Museum: Target \$1 Fridays
- Chicago – The Art Institute of Chicago: Target Free Thursday Evenings
- Chicago – Chicago Children's Museum: Target Free First Mondays
- Chicago – Museum of Contemporary Art: Target Free Tuesdays
- Dallas – Nasher Sculpture Center: Target First Saturdays
- Denver – Museo de las Americas: Target Free Family Days
- Detroit/Flint – Flint Institute of Arts: Target Free Saturdays
- Houston – Museum of Fine Arts: Target Free First Sundays
- Los Angeles – California African American Museum: Target Sundays
- Los Angeles – Museum of Latin American Art: Target Garden Sundays
- Miami – Miami Children's Museum: Target Free Third Fridays
- Minneapolis – Minnesota Children's Museum: Target Free Third Sundays
- Minneapolis – Walker Art Center: Target Free Thursday Nights
- New York City/Brooklyn – Brooklyn Museum: Target First Saturdays
- New York City – Museum of Modern Art: Target Free Friday Nights
- San Francisco – Asian Art Museum: Target Tuesdays
- Washington, D.C. – John F. Kennedy Center for the Performing Arts Millennium Stage: free performances every night at 6 p.m.

A wide range of arts programs and sponsorships reaching theaters, museums and concert halls help bring the arts to families and communities nationwide.







Target supports the arts by funding music and dance festivals and programs that bring communities together by creating experiences that cross cultures, inspire ideas for the future and enrich life.

### Touring Programs

**“TheatreWorks/USA”** – For 45 years, in theaters, performing arts centers and schools across America, TheatreWorks has brought to life the literature, historical subjects and age-appropriate issues that are a part of a child’s maturation in and out of the classroom. During the 2006–2007 school year, Target sponsored three of TheatreWorks’ nationally touring productions: “Freedom Train,” “If You Give a Mouse a Cookie & Other Story Books” and “The Color of Justice.” Each production tours through more than 45 venues for viewing by more than 125,000 students nationwide.

**Sphinx Organization** – A national arts organization that builds diversity in classical music by increasing participation of African-American and Latino students in arts education, awareness and presentation programs. Target’s sponsorship of the Sphinx Musical Encounters program brings classical music to schools across the country through workshops by the Sphinx Laureates.

### Local Store Grants

Target awards local store arts grants to schools and nonprofit arts organizations to help make the arts more accessible to families and students. Examples include cultural festivals, outdoor concerts and school artist-in-residency programs. Grant recipients are determined by each Target store across 47 states. Apply for grants online at [Target.com/grants](http://Target.com/grants).

### Design

Because design is a priority at Target, we support partners and programs that promote great design, such as:

- Prominent design schools across the country
- Design institutions such as the Target National Design Education Center at Cooper-Hewitt, National Design Museum in New York
- Programs that fuse our enthusiasm for design with our focus on education, such as Great Schools by Design in conjunction with the American Architectural Foundation where students are challenged to create the ideal learning space

### Safe Families and Communities

Because we know that healthy communities begin with strong families and safe homes, Target is committed to funding programs that strengthen families and promote the happiness and well-being of every child. Target supports programs and organizations that prevent family violence, respond to disasters and support local law enforcement and community partnerships.

### Family Violence Prevention

Target sponsors hundreds of organizations across the country each year that provide programs and services aimed at preventing or reducing the cycle of family violence. Examples include:

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



### Disaster Preparedness

Because tragedy can strike a community at any time, Target has a long-standing commitment to providing support for disaster preparedness, relief and recovery efforts. Key partners include:

- American Red Cross
- America's Second Harvest
- The Salvation Army
- National Center for Missing and Exploited Children

### Law Enforcement and Federal Government Partnerships

Target partners with law enforcement to achieve mutually beneficial goals in ways that have a positive impact on our communities.

The intended outcomes of these efforts are to prevent, deter and detect crime, create safe environments and share resources, expertise and information. Partnerships include:

**Target & Blue<sup>SM</sup>** – Through an effort called Target & Blue, Target shares technology, expertise and resources with law enforcement in many different ways, including:

- **Safe City** – A community partnership including government, business and law enforcement using state-of-the-art technology and communication tools to reduce crime and improve safeness.
- **Forensic Services** – Two Target labs focus on video analysis, computer forensics and latent fingerprint analysis related to ongoing cases, and support law enforcement in need of forensic services for violent felonies.
- **Twin Cities Security Partnership** – A first-of-its-kind information exchange between federal, state, county and local law enforcement executives and their security counterparts from Fortune 500 companies in an effort to better secure the Minneapolis/St. Paul community.
- **Law Enforcement Grants** – A program benefiting more than 250 agencies each year through which Target awards grants to fund equipment, training and programs that enhance community safeness.
- **Sponsorships** – Target also contributes to law enforcement associations that promote safeness in our communities and abroad. These sponsorships include:
  - **International Association of Chiefs of Police (IACP)** – An organization representing senior law enforcement executives from around the world that provides education and support to local community protectors.
  - **Police Executive Research Forum (PERF)** – A law enforcement think tank representing the nation's progressive police agencies that supports innovative policing strategies intended to create safer communities.

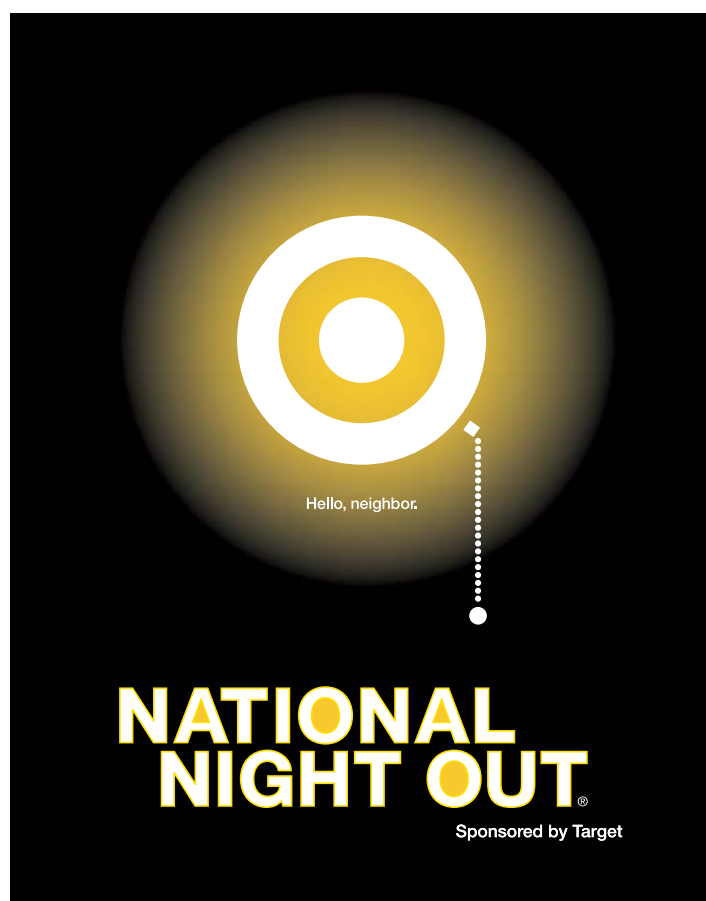
**U.S. Department of Homeland Security** – Target has partnered with the U.S. Department of Homeland Security and U.S. Customs and Border Protection to improve security practices and reduce risks in the supply chain.

### Customs-Trade Partnership Against Terrorism (C-TPAT)

– Target is a charter member of the Customs-Trade Partnership Against Terrorism (C-TPAT), a public-private partnership to strengthen supply chain and border security. Target's C-TPAT supply chain program was recently revalidated at Tier 3, the highest level of security, through 2009 by U.S. Customs and Border Protection. This revalidation provides both time- and money-saving benefits, such as lower container exam rates at ports of entry in the United States. This minimizes security inspection costs and supports our goal of speed to market.

**National Night Out (NNO)** – Target is proud to partner with the National Association of Town Watch to be the exclusive national sponsor. Each year, more than 35 million people in more than 10,000 communities participate in NNO. Target has a proud history of support, collaboration and partnership with local law enforcement agencies. To address issues of safeness affecting our guests, team members and communities, Target recognizes the need to develop partnerships that leverage knowledge and resources for meaningful and positive results that lead to safer and healthier communities.

Part of our \$3 million a week in giving supports programs that focus on fostering safer families and communities, including our long standing support for family violence prevention and our Target & Blue<sup>SM</sup> partnership with local law enforcement agencies. In addition, Target is the exclusive national sponsor of National Night Out, a grass roots event that brings communities together.





Volunteerism has always been a hallmark of Target team members — from delivering meals to seniors to volunteering in local schools to lending a hand after disasters.

### Team Member Involvement

At Target, being involved in the community means much more than giving \$3 million every week to local and national nonprofit organizations.

#### Target Volunteers

For Target team members, being involved means lending a helping hand with everything from cleaning up neighborhoods and waterways, to mentoring and reading to students at a local school, rocking babies at a crisis nursery or delivering meals to homebound seniors.

More than 70,000 Target team members, retirees, family members and friends got involved in their communities last year by giving hundreds of thousands of volunteer hours to local nonprofits.

Target teams come together to participate in local projects and in national Target volunteer events like Operation United Way, which links stores with United Way-funded agencies for a day of service. Volunteers worked in partnership with the National Education Association's national Read Across America event by reading to children in stores and at neighborhood schools. Teams volunteered to read in local schools throughout the school year.

### National Volunteer Week National Sponsorship

Target was the first-ever national sponsor of National Volunteer Week, April 15-21. This year, Target partnered with the Points of Light Foundation and created a campaign that appeared in publications nationwide, as well as in stores. Its message not only recognized and thanked volunteers, but encouraged everyone to get involved by calling 1-800-volunteer or by visiting [1-800-volunteer.org](http://1-800-volunteer.org).

### St. Jude Children's Research Hospital

St. Jude Children's Research Hospital, located in Memphis, Tenn., is one of the world's premier centers for research and treatment of catastrophic diseases in children. Target's support of St. Jude includes Target House, a home away from home for patients and their families who require at least 90 days of treatment at St. Jude. Target has raised more than \$27 million for St. Jude and Target House.

### Target House®

Target House, funded by Target and vendor and celebrity partner contributions, is an innovative approach to long-term housing for families whose children are receiving life-saving treatment at St. Jude Children's Research Hospital. This unique facility enhances the quality of life for its residents, who benefit from the privacy of family apartments as well as common areas that foster interactions with other Target House families.

Target House opened in 1999 with 50 two-bedroom apartment suites and several common areas. In November 2002, Target House opened a major expansion, enabling St. Jude to meet 100 percent of its housing needs for patients requiring treatment of 90 days or more. The expansion made space for today's total of 96 apartment suites. Each apartment suite includes a kitchen, living room, bathroom and two bedrooms, all stocked with everything a family needs.

Team members donate their time and talents to Target House and its families throughout the year.

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



### United Way

Target has supported the United Way since opening its first store in 1962. In 2006, Target Corporation and individual team members invested in their communities by donating more than \$12 million to United Way programs across the country.

### Target Foundation

The Target Foundation enhances the quality of life in the Minneapolis/St. Paul metropolitan area by partnering with organizations to promote visibility for arts and cultural programs and to make them accessible to the community.

The Foundation also supports social service organizations that efficiently and effectively provide food, clothing and shelter services to at-risk families and individuals. We partner with a variety of organizations that provide the following services:

- Emergency and transitional housing
- Permanent supportive housing
- Youth shelters
- Food shelves
- Food banks
- Hot meals
- Clothing

The Target Foundation also strengthens the Twin Cities community by supporting local arts organizations; see Page 5 for more information.

### Target Corporation Supports Veterans

Since 2002, Target has been the victim of a misleading e-mail campaign that grossly misrepresents our support of veterans and our soldiers. Unfortunately, due to the nature of the Internet and e-mail communication, the original e-mail has been repeatedly and inaccurately modified and perpetuated by unknown writers. The national Veterans of Foreign Wars (VFW) posted a press release on their Web site on Dec. 6, 2002, to help clarify this issue and show their support of Target at [www.vfw.org/news/target.htm](http://www.vfw.org/news/target.htm).

Target Corporation is a publicly held American company (NYSE: TGT) that has been based in Minneapolis, Minn., ever since its founding as The Dayton Company by businessman George Dayton in 1902. Target is not now, and has never been, foreign owned.

Our company has supported many charitable causes throughout our history, including veterans' organizations. For years, Target has donated funds and volunteer hours to local and national veteran and military organizations around the country. Examples on a national level include:

- The development and construction of the World War II Memorial in Washington, D.C.
- Continuing support of "The Wall That Heals" National Tour, a Vietnam Veterans Memorial Fund outreach initiative that honors our veterans and has a strong educational component for schools
- The distribution of care packages to our troops stationed overseas through Operation Gratitude



- Support of arts grants to children with deployed parents through Our Military Kids
- Support of the Voice of Democracy scholarship competition through the VFW
- Connecting military families with United Through Reading (see page 3 for more information)

**Reservist Benefits** – Target Corporation is proud to count many veterans and military reservists among its more than 350,000 team members nationwide. To help support these team members, Target provides benefits for activated reservists, including pay differential, that surpass the benefits required by law. The Reserve Officers Association has recognized our company for these benefits, and the National Committee for Employer Support of the Guard and Reserve also lists Target on their Web site at [www.esgr.org](http://www.esgr.org). Target team members who are activated for military service and were participating in optional dependent coverage at the time of their deployment are eligible to continue these benefits if they choose. Target Corporation also allows any Target team member to continue benefits as provided by the 1986 Consolidated Omnibus Budget Reconciliation Act (COBRA).

Target Corporation wholeheartedly supports U.S. veterans, reservists and active duty personnel and their families. We are proud of our record and remain committed to continuing support of veterans' organizations as part of our overall charitable giving program.

## Commitment to Our Team Members

Target Corporation employs more than 350,000 people, the majority of whom are in the United States. Our annual net square footage growth of about 8 percent translates into approximately 100 new stores each year, net of closings and relocations, and results in a net annual increase in employment of 10 percent or more.

Target Corporation is a performance-based company with equal opportunities for all who perform. Our ability to recruit and hire people from diverse backgrounds to create a team with a rich variety of strengths, perspectives and lifestyles is a key factor in our performance as a company. Our ability to "know our guest" is greatly enhanced by employing team members who reflect the diversity of the communities that we serve. We are committed to diversity because it is the right thing to do and because it gives us a competitive advantage.

### Focus on Diversity and Equal Opportunity

Our long-standing commitment to equal opportunity has increased the diversity of our work force as reflected in our Equal Employment Opportunity (EEO) Report for 2006.

Target team members represent the following percentages of total team members by category:

	Female	Minority
Officials and managers:	44%	23%
Professionals:	58%	14%
Sales workers:	63%	43%
All employees:	59%	40%

Gender and ethnic diversity is reflected at the highest levels of the corporation, including the Target Board of Directors. Additional information about the composition of our Board is available in our proxy statement, or at [Target.com/investors](http://Target.com/investors). Click on Corporate Governance.

Discrimination based upon race, color, religion, sex, age, national origin, disability, sexual orientation or other characteristics protected by law is not tolerated in our workplace. In addition to prohibiting such discrimination, we attempt to create an environment that recognizes the value of diversity and enhances the opportunity for success of all team members regardless of their differences. Additionally, the company maintains a toll-free confidential hotline that is available to all team members to report any workplace concerns. Management is required to report annually to the company's Board of Directors on its progress in achieving greater diversity of our workforce.

Target Corporation is a participant in Project Equality, a national program committed to the achievement of diversity and equal opportunity. As a participant, we provide equal employment information and have made a commitment to maintain employment policies and practices that affirmatively promote equal employment opportunities for people of color, women and persons with disabilities.

The following are examples of initiatives within Target that are intended to promote diversity throughout our organization:

- **Recruitment** – Team members of diverse backgrounds are sought by attending minority job fairs (National Black MBA Association, National Society of Hispanic MBAs, Consortium for Graduate Study in Management), placing ads in minority media, posting jobs and looking for candidates on minority-focused Web sites (DiversityInc and HireDiversity), posting positions at schools and other public places with high minority populations, attending national meetings of minority organizations, and publishing and distributing recruitment literature emphasizing our commitment to diversity.
- **INROADS** – Target Corporation also hires interns from INROADS at the corporate, store and distribution center levels. Target is a charter sponsor for the INROADS Retail Management Institute, aimed at attracting more students of color to retail careers. In 2006, Target was the largest corporate sponsor of INROADS worldwide. In addition, Target Corporation has an Executive-In-Training Program, where a priority is placed on sourcing and staffing positions with diverse candidates.
- Target is a national leader in providing job opportunities for people with disabilities. Target participates in community-based training by seeking out agencies, school programs and government incentive programs in an effort to hire people with disabilities.
- **Diversity Training** – Target provides training programs to all its team members and leadership development to all supervisory level team members — and diversity training is an integral part of that development. We provide training that is intended to enhance awareness of diversity in the workplace and to build skills necessary to promote diversity and the benefits it offers. All new Target team members receive training on our Corporate Diversity Mission during

their orientation, and all new store/distribution center/headquarters salaried leaders receive “Managing Inclusion” training. At the stores, all hourly leaders receive training called “Appreciating Differences.” At headquarters, the “Appreciating Differences” training is accessible to all team members. Examples of other diversity training initiatives include:

- Classes that use various personality preference instruments to address style differences
- And other initiatives aimed at developing and retaining our leadership team
- **Diversity Team** – Target has formed an internal Diversity team that is solely dedicated to leveraging diversity throughout the organization. The team focuses on recruitment and retention, awareness and communication, and measurement, and works with business partners throughout the company to provide diversity guidance and drive change.
- **Diversity Steering Committee** – Target has a cross-functional committee, comprised of leaders representing all areas of the company, that helps provide direction, feedback and guidance on the corporation’s diversity efforts, particularly as they relate to the five focus areas:
  - Minority and Women Business Development
  - Multicultural Marketing and Merchandising
  - Recruitment and Retention
  - Awareness and Communication
  - Measurement
- **Diversity Business Councils** – Team members have access to four diversity business councils. These inclusive groups focus on professional development and provide opportunities for team members to network and share common interests. In addition, the business councils are leveraged internally to provide input and feedback on key business strategies. The four diversity business councils are: African-American Business Council, Asian-American Business Council, GLBT Business Council, and Hispanic Business Council.
- **Advertising/Marketing** – The principal operating strategy at Target Corporation is to provide exceptional value to our guests through upscale discount stores and online shopping. Our advertising messages strive to create an emotional connection with various market segments by offering them real and relevant content across multiple platforms.

Our bold advertising and risk-taking marketing efforts reinforce our “Expect More. Pay Less.” brand philosophy and strengthen the iconic image and reputation of Target.





Partnering with Dr. Maya Angelou, the Target “Dream in Color” campaign began in February with Black History Month and continues throughout the year, encouraging both guests and Target team members to reach their potential.

The significant shift in the country’s ethnic composition has redefined the concept of the typical American family. Subsequently, our marketing focuses on evolving its brand relevancy among these key guest segments by crafting advertising messages that deliver a value proposition in unique ways.

Target takes pride in celebrating the rich history and heritage of the communities that make up our world today. Through our “Dream in Color” series, we feature celebrations of unique cultures throughout the year.

We also strive to reach our multicultural guest through our unique and relevant campaigns. From celebrating the rich culture of African Americans past and present, to creating fashion catalogs that speak directly to the trend-forward African-American woman, we’re always looking for innovative ways to serve our guests.

Our commitment to diversity can also be seen in the recently expanded Hispanic food selection in stores and in our extensive Hispanic Heritage Month celebration.

- **Vendor Relationships** – Target Corporation has developed a mentoring program for minority general contractors. In addition, Target founded its Minority and Women Business Development (MWBD) program in 1998. This program helps Target Corporation become a meaningful business partner

to minority-owned and women-owned enterprises. Although the program initially focused on particular non-retail projects (such as property development), it was expanded in 2003 to include all non-retail projects. Target also has developed processes and online tools to provide prospective suppliers access to the MWBD program information and to facilitate electronic application and qualification processes. This will support enhanced business relationships between Target Corporation and minority/women business enterprises. Target Corporation is a member of the Women’s Business Enterprise National Council (WBENC), the National Minority Supplier Development Council (NMSDC) and the Minnesota Minority Supplier Development Council (MMSDC), and MEDA (Metropolitan Economic Development Association). Target attends several conferences and events each year to support increased business with minority/women business enterprises.

- **Locations and Local Hiring** – Target has approximately 1,500 retail locations, many of which are in minority communities. Target values the communities in which we do business and recognizes that our team members represent the spirit and diversity of our guests. To that end, we hire locally for every store. We use in-store employment kiosks to attract and encourage our guests to become prospective team members, aiming for a composition of team members that directly represents the community in which each Target store is located. Minority and non-minority team members alike attend community events to strengthen connections among our stores, team members and communities.
- **Involvement and Partnerships** – Target Corporation has partnerships with many diversity-focused organizations, including:
  - INROADS
  - Consortium for Graduate Study in Management (CGSM)
  - Monster Diversity Leadership Program (Monster DLP)
  - National Association of Asian American Professionals (NAAAP)
  - National Black MBA Association Conference (NBMBA)
  - National Society of Hispanic MBAs (NSHMBA)
  - National Hispanic Business Association (NHBA)
  - Black Data Processing Association (BDPA)
  - National Minority Supplier Development Council (NMSDC)
  - Women’s Business Enterprise National Council (WBENC)
  - Society of Women in Engineers (SWE)
  - Society of Hispanic Professional Engineers
  - Urban League
  - United Negro College Fund (UNCF)
  - Hispanic College Fund (HCF)

Target is committed to serving and celebrating our communities each and every day. Diversity has been one of the strengths of our company and will continue to be an important part of our business strategy as we expand into new markets. We are committed to promoting and reinforcing diversity throughout our company as we position our business for continued success in the 21st century.





Target respects all differences among team members. In fact, Target welcomes them. Different life experiences mean different perspectives —

which are always useful when you're trying to solve a problem, improve a process, or figure out how to meet guests' needs.

## Training and Development

### Training and Education

In our stores, every new team member has a detailed plan of all technical training and leadership training, when applicable, for the first 90 days in their position.

We offer more than 50 training items in Spanish. All training materials for Human Resources, Safety and key operational tasks are published simultaneously in both English and Spanish. Spanish-speaking team members have the same quality training information as English-speaking team members.

Team members throughout Target's organization participate in business ethics training, "Acting with Integrity." The training educates team members on their roles within our ethics culture and includes position-specific scenarios for illustration and emphasis.

### Leadership and Development

At headquarters, stores and distribution centers (DCs), team members have access to a wide curriculum of courses. We offer programs focused on the training and development tools and experiences needed to be an effective leader. We also have nomination-based leadership development programs including week-long assessment centers, year-long development series and shorter development programs for high-potential leaders at various levels in the organization. Additionally, we facilitate team-building sessions, and offer executive coaching at middle- and upper-management levels in the organization.

### Health and Safety in the Workplace

Target Corporation facilities will administer a comprehensive and continuous occupational Injury and Illness Prevention Program (IIPP) for all team members. The health and safety of the individual, whether in the DCs, stores or headquarters offices, takes precedence over all other concerns. Management's goal is to prevent accidents and to reduce personal injury and occupational illness and comply with all safety and health standards. A copy of our Injury and Illness Prevention Information can be found on page 37.

## Pay and Benefits

Target pays competitive wages to its team members, and we pride ourselves on having a Pay and Benefits package that is competitive with the market. We set our pay ranges at, or slightly above, the average paid by the external market for jobs with similar skills and responsibilities. Changes to our pay ranges are influenced by company performance and general economic conditions from year to year.

We believe in pay for performance. A team member's actual pay depends on his/her performance ratings, experience and promotional increases. Annual performance evaluations measure a team member's performance in relation to preset goals. Team members and their supervisors determine annual goals based on position responsibility and objectives. In addition, Target has a long-term incentive plan designed to advance the long-term growth and financial results of the company. The plan offers incentives to directors and above, and to certain team members whose performance contributes to the achievement of specific goals that create shareholder value over time. The plan is also intended to facilitate recruitment and retention for outstanding candidates. Depending on position, many team members also participate in a short-term incentive (bonus) plan that recognizes and rewards performance/results.

Target provides many benefits to its team members including:

- **A 401(k) program** for all eligible team members in which Target matches team member contributions on a dollar-for-dollar basis, up to 5 percent of a team member's pay, in Target shares that vest immediately.
- **Pension benefits** for all eligible team members. Team members hired after 2002 have an account-based pension, where a percentage of their eligible pay, plus interest, is deposited into a pension plan account. Team members who became participants in the plan prior to 2003 are provided a traditional pension based on their credited service and final average pay, or a combination of a traditional and account-based pension. Target pays the full cost of the pension; team members pay nothing.

- **Tuition reimbursement** to help team members pay for job-related courses at accredited schools, colleges or universities. In addition, Target has partnered with Wells Fargo to offer education loans to team members of up to \$25,000 per year.
- **A competitive vacation and holiday package** for eligible team members. Annual vacation accrual increases with years of service. In addition to vacation, Target recognizes and pays for six national holidays annually.
- **Home loans** to team members through two sources: Wells Fargo and PHH Mortgage. In addition, Target has a partnership with Home Buyer's Assistance to help home buyers learn more about purchasing a home, review various loan options and use a streamlined process to apply for a mortgage.
- **Advancement and opportunity for upward mobility** to all team members based on individual performance.

The health and well-being of our team members is an important aspect of our benefit offerings. Target offers a wide range of benefits that encourage wellness, promote healthy living and give team members tools and information to take control of their health. Our company-sponsored approach to health and wellness encompasses physical, emotional and financial well-being and includes medical, dental, life and disability insurance as well as adoption assistance, an employee assistance program and a plan that covers legal services.

Target is committed to helping team members maintain and improve their health. Like many U.S. companies, Target also has sought innovative solutions to manage rising health care costs while continuing to provide a high-quality standard benefits program for our team members.

- In 2006, we introduced the option of consumer-driven health plans (CDHPs) as part of a long-term strategy to help our team members and the company manage these costs, both now and in the future. By offering CDHPs along with a traditional copayment plan and HMOs at many of our locations, we are able to offer a variety of benefit plans and deductible levels so our team members can choose the best plan to meet their health care needs.
- By offering CDHPs as a plan option, we engage our team members in a decision-making process that gives them greater ownership and control of their health care dollars. We also provide information and tools that allow our team members to make informed decisions about which plan offering maximizes the value of their health care benefits.
- CDHPs have gained popularity as a way to control skyrocketing health care costs for individuals and employers. Greater team member engagement promotes greater awareness of the impact of individual decisions and behaviors on cost, encourages healthier behavior and increases the use of company-provided resources that allow for better-educated decisions about the cost and value of available health care options.
- With consumer plans, team members who are informed health benefit consumers actually may spend less over the course of the year than they paid for premiums, deductibles and co-insurance in previous years.

- All of our consumer and copayment-based health plans provide deductibles, 80/20 coverage and an out-of-pocket maximum to help protect team members financially.
- Target contributes to all of the consumer plan accounts to lower deductibles for team members and help them manage their health care dollars.
- Target pays 100 percent of preventive care in all of our health care plans — such as well-baby care, immunizations and annual physicals — and offers extensive health improvement programs to help team members manage their health.
- We continue to pay the majority of the costs for our team members' health benefits. We are not attempting to shift health care costs to our team members.

### Union Philosophy

Target believes in solving issues and concerns by working together with the help and input of all team members. Target wants to continue to create the kind of workplace where team members don't want or need union representation to resolve issues. We don't believe that a union or any third-party representative would improve anything, not for our team members, guests or the company. There are a lot of great things that go along with being a Target team member, and our team members don't need to go to an outside party to get them.

### Target and Civic Activity

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

Our civic initiatives are aligned with our business objectives and are overseen by our senior management and the Corporate Responsibility Committee of the Target Board of Directors.

The intent of the overall program is to provide an effective and positive civic presence by having an influential voice in the civic activities in the communities in which we do business and the deliberations, decisions and activities of our federal, state and local governments that impact our business.

### Advocacy

Target advocates at all levels of government with the aim of ensuring that the impact that legislative and regulatory issues have on our business, our industry, our communities and our team members is fairly presented.

### Get-Out-The-Vote and Voter Education Activities

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



At Target, governmental policy initiatives closely align with our business and corporate reputation needs, helping to make Target an active political presence with an influential voice in the deliberations, decisions and activities of our federal, state and local governments.

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

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

### Public Partnerships

Target believes that the challenges facing our communities are too important to burden any one institution with the responsibility of creating and implementing solutions. As an outgrowth of our long-term and well-recognized efforts to

embrace community, Target believes that many of the business practices that make us a successful retailer can be valuable in the public sector's delivery of better public services to our communities. Accordingly, we regularly lend our expertise to assist governmental agencies in fulfilling their missions.

To date, we have focused on issues such as community safety, urban redevelopment, safe Internet practices for children and sharing our expertise in supply chain management to assist the public sector in acquisitions of goods and services.

### Political Contributions

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

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

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

Recipients of corporate contributions or political action committee contributions must report to their state authorities. For more information on our political giving, check the Internet for the secretary of state or Ethics Commission for the state in which you are interested. Federal PAC contributions are listed under [www.fec.gov](http://www.fec.gov).

### Policies Regarding the Sale of Certain Products at Target

Target places great importance on providing merchandise that will appeal to a wide variety of guests, particularly parents and families. We want parents to be comfortable with the purchasing decisions that they and their families make at Target.



## Mature-Rated Video Games

All video games and computer software sold at Target stores carry ratings by the Entertainment Software Rating Board (ESRB) — from early childhood through mature audiences — and we have implemented the following measures to help ensure compliance with the ESRB rating system:

- Since 2000, Target has voluntarily restricted the sale of M-rated video games and computer software through the carding of minors, and restricts those sales to persons 17 years of age and older.
- A point-of-sale message prompts our cashiers to verify a guest's age whenever an M-rated game is scanned.
- All cashiers receive educational training on the identification process for M-rated video games and other age-restricted items.
- Target does not carry "adult only" merchandise.

Our goal is to have all of our guests know and understand the video game ratings so they can make informed purchasing decisions. To that end, Target has a comprehensive education program to inform our guests about the rating and labeling systems for video games. This program includes:

- Information signage within the video game sales area clearly describes the ESRB rating system.
- A brochure in the entertainment area explains the ESRB rating system.
- Public service videos featuring celebrities explain the ESRB rating system. This video is shown on a periodic basis on the televisions in the entertainment area of the store immediately adjacent to the video game display.
- Messages in our weekly circulars encourage guests to "know their ratings."
- M-rated video games advertised in the Target circular are designated with an oversized rating sticker and a bar on the left side of their icon that says "Rated M for Mature."
- Target does not place advertisements for M-rated games in publications specifically targeted to teens or younger audiences.
- Target team members are trained to talk with parents about video game/software content, playing habits and age-appropriate titles.
- Target.com provides a detailed description of the ESRB ratings on the video game homepage.

## Guns/Toy Guns

Target does not sell real guns, or toy guns that can be mistaken for real guns.

In the early 1990s, we made the decision to stop selling "realistic" toy guns. We limited the sales of toy guns to those that are brightly colored and oddly shaped and, therefore, will not be mistaken for an actual weapon. We firmly believe that any toy gun that has the potential to be mistaken for a real gun is inappropriate for sale at Target.

## Tobacco and Cigarettes

Target discontinued the sale of cigarettes in our stores in 1996. We do not currently sell any tobacco products.

## Pseudoephedrine (PSE)

In 2005, Target became the first national retailer to voluntarily decide to place all cough, cold and allergy products containing PSE behind the pharmacy counter. In stores where we do not have a pharmacy, these products are not sold.

PSE is a common decongestant found in many over-the-counter cold and allergy remedies. It is also the key ingredient necessary in the illegal manufacture of methamphetamine.

While this action adversely affects our sales, we believe this is the right thing to do to help curb the growing production and distribution of methamphetamine.

The Target policy enforces federal limitations by restricting PSE sales, and follows more restrictive state and local law where applicable.

Target has implemented an electronic log system in all stores that indicates at the time of purchase if a guest has reached the legal limits for purchase of this product. If a guest has reached the legal purchase limit, the system generates a paper receipt that documents the limit and provides our Guest Relations telephone number to the guest for further inquiries.

We have adopted a national chain-wide policy so that our guests have a consistent experience in each Target store.

## Global Compliance: Business Ethics Practices for Vendors and Trading Partners

Target is proud of our performance record and of the high ethical standards we maintain in conducting our business within the United States and in countries throughout the world. We are firmly committed to offering our guests products that are made legally and ethically — in full compliance with U.S. law, local laws in the country of origin, and our Standards of Vendor Engagement (page 38), which define Target's policies and business approach.

To underscore our philosophy, Target, along with 250 other retailers, is a signatory of the National Retail Federation's "Statement of Principles on Supplier Legal Compliance," and we have incorporated the core principles of this Statement into our own standards and practices. Specifically, we seek to do business with vendors, including suppliers and manufacturers, who share our commitment to high ethical standards. We require our vendors to:

- Provide employees with a safe and healthy workplace.
- Adopt non-discrimination principles and limit work hours.
- Pay fair wages.
- Renounce forced or other compulsory labor and abstain from its use.
- Refrain completely from use of child labor. We define child labor as being below the minimum legal working age according to local law, or under the age of 14, whichever is greater. We do make an exception for legitimate apprentice programs.

Importantly, we are willing to exercise our ability to take corrective action — up to and including termination — against vendors that violate U.S. law, local (country of origin) laws or our Standards of Vendor Engagement. Target is opposed to any form of slave, child or prison labor, whether domestic or international, and we take the protection of human rights very seriously. We expect our vendors to share and apply these same ethical standards.

To reinforce our commitment to our Standards of Vendor Engagement and the principles these Standards represent, Target has also implemented a program for vendor education and established an organization to ensure compliance.

### Target Compliance Organization

Target's Global Compliance department was created to ensure that our Standards of Vendor Engagement are uniformly and universally enforced with vendors that produce owned-brand products. Our efforts began in 1998 with apparel vendors, and subsequently expanded to footwear and accessories vendors. In recent years, we have added vendors in Domestics (Bedding and Bath), Decorative Home, Health Care, Housewares, Stationery, Toys, Sporting Goods, Furniture, Lawn & Garden, Petcare, Holiday and Seasonal, and Food. The Global Compliance team also works with other departments within Target — such as Target Sourcing Services (TSS) and Quality Assurance — to increase awareness of Target's global compliance program among our vendors and their factories.

The department's mission is to ensure that vendors producing owned-brand merchandise and exclusive licenses for Target comply with:

- Target's Standards of Vendor Engagement
- Target's business requirements (Vendor Conduct Guide)
- U.S. Customs and Border Protection
- Labor laws of the country of origin

The primary tools we use include:

- Standards of Vendor Engagement (available in 19 languages)
- Global Compliance Registration
- Compliance Audits — full and short audits

The Global Compliance Registration educates vendors and their factories about Target business requirements. Among other things, Global Compliance Registration requires that all owned-brand vendors:

- Complete an online registration as a vendor and agree with our terms and conditions regarding compliance and use of our trademarks.
- Register all factories used in the production of owned-brand merchandise, including subcontractors involved in the manufacturing process.
- Authorize unannounced audits by Target personnel and/or third-party auditors hired by Target.
- Maintain accurate up-to-date information on their factories and/or changes in factory circumstances, such as factory address and production capabilities. Failure to notify Target of a change in production facility carries a financial penalty.

The unannounced Compliance Audits are intended to serve two primary purposes:

- Ensure that vendors and their factories can meet Target's business requirements (including Standards of Vendor Engagement, U.S. Customs laws and regulations, and local labor laws).
- Verify Global Compliance Registration information.

Each of the questions on the audit form relates directly to one or more of Target's Standards of Vendor Engagement.

All full-compliance audits are:

- 100 percent unannounced
- Random
- Mandatory (denied audits carry penalties ranging from payment of audit expenses to termination of vendor relationship)

Full-compliance audits include six different modules:

- Plant tour
- Employee interviews (conducted privately and in the employees' language)
- Management interviews
- Records and wage review
- Country-of-origin review
- Recap of issues with remediation plan

Wage calculations are done in all factories to verify that the workers are being paid according to local labor laws and for all of the time worked. This information is verified through employee interviews, management interviews and the payroll review.

Compliance audits may be conducted by Target auditors and/or auditors from one of the third-party companies that we use. These third-party auditors are accredited and trained by Target to conduct unannounced compliance audits. Our Global Compliance team is made up of nearly 40 members, more than half of whom are full-time foreign-based Target auditors and staff. Our internal audit staff conducts random visits to vendor and subcontractor manufacturing facilities. Thousands of audits have been performed by, or on behalf of, Target since our compliance program began in 1998. We have performed audits in 44 countries.

By its nature, the Global Compliance Registration process is fluid, as vendors register and un-register factories. As a result, the number and locations of factories that are registered to manufacture merchandise for Target change frequently. At any given point in time, registered factories are located in North America; South and Central America; Europe, including Russia; the Middle East; sub-Saharan Africa; and Asia, with the greatest volume in Asia. We hold vendors accountable for compliance in the factories they select to manufacture product for Target. Vendors are required to verify that the factory is compliant prior to submitting the request for registration. Factors that are considered prior to allowing a factory to become registered include: the factory's previous audit history, the vendor's compliance performance and the country in which the factory is located.



Target works hard to ensure that products from every part of the world are produced legally and ethically — in full compliance with U.S. law, local laws in the country of origin and the policies and business approach of Target.

The full audit form is revised on an annual basis with input from the overseas audit and Minneapolis-based Global Compliance teams, legal, sourcing, our third-party monitoring partners, as well as benchmarking with other audit programs. Questions are added or deleted based on information we want to monitor. Compliance violations are addressed with outcomes ranging from administrative probation to termination of the relationship.

Additionally, short audits are completed by Target team members from Quality Assurance, TSS or other areas that may visit a factory. The purpose of a short audit is to create a record of the factory visit, identify factories that may not be registered in Target's Global Compliance program, uncover issues that may be relevant in conducting a future full audit, and work with vendors on resolving compliance concerns.

We have focused on vendor education by offering global training sessions as well as one-on-one meetings to discuss program results and opportunities for continuous improvement. Additional information about our expectations is available to vendors and their factories through our Partners Online Web site, which includes a Target-developed vendor guidebook that is available in nine languages. The guidebook is intended to be used by factories as a reference tool to achieve, and sustain, their compliance with our requirements. The best practice is for a vendor to implement their own compliance program.

### Vendor Contracts

In our Conditions of Contract, we require our vendors to warrant that all goods are made in compliance with all applicable laws — both U.S. laws and the laws of the country in which the goods are produced. This warranty includes the Fair Labor Standards Act of 1938, a law that governs how employers pay and treat their employees. In order to be in compliance with this contract term, our vendors must confirm that their business partners are also in compliance with the law. Beyond the requirement that goods will be manufactured in accordance with the law, we also

establish similar basic minimum requirements in certain countries where labor laws are not yet well developed. If a vendor violates our agreement, the penalties range from the loss of the contract or order to the loss of all future business with Target.

### Vendor Education

We believe that careful vendor selection and education are among the most effective ways for Target to ensure that our standards are met and that our vendor relationships are successful. Education programs are offered to all vendors with whom we conduct business, and all vendors must understand and expressly agree to meet our Terms of Engagement. Target conducts vendor education classes for both U.S. and non-U.S. vendors. These classes are offered in Minneapolis and regionally throughout the world to allow vendors the opportunity to understand the Target Standards of Engagement and requirements.

### Global Sourcing

Target sources merchandise from numerous countries throughout the world. This activity is coordinated by Target Sourcing Services (TSS), a subsidiary of Target Corporation. Most of our owned-brand products are sourced through TSS, which is a leading global sourcing organization with offices in more than 40 countries worldwide. TSS employs more than 2,100 team members and has supplied Target with high-quality merchandise for more than 50 years. About 30 percent of the merchandise we offer for sale in our stores is directly imported, and we expect this percentage to increase modestly over time as we continue to convert a larger portion of our indirect imports to direct imports in future years.

TSS and other buying agents are held to and require the same standards as Target when doing business around the world. TSS staff who evaluate factories for quality also review compliance issues. Vendors and their factories that engage in business with TSS must comply with Target's high standards.



## Environmental Responsibility.

Target strives to be a responsible steward of the environment. In addition to complying with all environmental regulations, we seek to understand our impact and continuously improve our business practices to achieve the following goals:

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





Target has a long-standing commitment to the environment. Understanding our environmental footprint and designing programs to minimize that impact is very important to us as responsible stewards of the environment. We have mature programs around recycling, environmental compliance and energy conservation, but our innovative thinking goes beyond these programs. From the stores we build to the products we sell, many aspects of our operations create a triple-bottom line of stewardship that positively affects our guests, communities, and our long-term business strategy.

Our internal partnerships will continue to drive positive change toward more sustainable business practices, more efficient operations and stronger ties to our communities. Working with our vendors to identify opportunities to incorporate sustainability initiatives into our core business functions helps ensure that Target is meeting the expectations of our guests and our communities.

In the section below, we provide our environmental objectives and some insight into our progress as we work toward fulfilling our commitment to the environment.

## Environmental Management Program

The Target Environmental Services group is responsible for ensuring compliance with all environmental regulations and for setting environmental goals for the Corporation. Individuals with a wide-range of environmental and technical experience manage the environmental aspects of regulatory compliance, property acquisitions, waste disposal, recycling, and asset reclamation. Elements of our environmental management program include setting environmental goals, communication and outreach, in-house and external training, permit management, data analysis, self-auditing of systems, and information tracking. These elements are integrated into day-to-day operations through web-based programs and external consultant support.

The goal of the environmental management program is to develop systematic solutions to manage the environmental aspects of our business and to drive continuous improvement. Target is in the process of evaluating various environmental management system models such as ISO 14001 and the United States Environmental Protection Agency's (USEPA) Performance Track.

## Metrics and Measurements

Developing metrics for our key environmental programs is integral to the success of these programs and our ability to drive great results. For Target, environmental metrics are normalized to sales, where appropriate. This allows Environmental Services to measure achievable goals as the market size increases. Depending on the program, performance metrics are established to provide meaningful and relevant data for analyzing trends and opportunities for improvement.

## Regulatory Compliance

Target takes a proactive stance on environmental regulation. In many cases, Target implements programs chain wide that are more stringent than local or regional regulations because we believe in protecting our communities' natural resources, and providing a safe work environment for our team members. We work hard to minimize the number of Notice of Violations (NOVs) we receive — written claims from an agency indicating non-compliance with a regulation — and promptly respond to agency concerns.

## Partnerships

Target believes that partnership is one of the most effective ways to develop solutions to environmental issues. We have collaborated with several environmental organizations on special projects, and our team members serve in leadership roles to help promote sustainability. Some of our partners include:

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

## Natural Resources

At our current rate of growth, Target builds more than 100 new stores annually. With each new store comes the challenge of not only building a great looking store, but of being respectful of the communities we are serving. The Target Property Development team is well versed in design, construction, development and resource-preservation techniques. Through early interaction with community leaders and local planning commissions, Target strives to design stores that are aesthetically pleasing to the community while minimizing our environmental impact.

## Water Conservation

At Target, we are conscious about water use and have incorporated several water-saving technologies into our store designs. All Target stores use:

- Low-flow toilets that meet Federal standards
- Ultra low-flow hand-wash faucets that are 75 percent more efficient than required and reduce wash-water flow to sewer treatment plants
- Customized irrigation settings to match the needs of the vegetation planted at each site, which avoids excess water usage for landscaping

At several stores, we are also testing low-flow urinals that use 50 to 100 percent less water flow than conventional urinals.

## Low Impact Development

Low Impact Development (LID) is the use of innovative design techniques to filter and infiltrate storm-water runoff on site in order to maintain predevelopment hydrologic conditions. Many local jurisdictions require developers to use LID technology because it helps improve water quality, reduces the need for expensive pipe-and-pond systems, and results in more aesthetically-pleasing landscapes.

When preparing for new store construction, we challenge our designers to look for opportunities to use LID technology. As a result, we have installed bio-swales in lieu of storm sewers to manage runoff from our parking lots, and rain gardens to filter storm water and provide a natural habitat for wildlife in several locations, including:

- Lake Worth, Fla. (opened in October 2006)
- North Dartmouth, Mass. (opened in October 2006)
- Westland, Mich. (remodeled in October 2006)
- Chicago (opened in March 2006)
- Boynton Beach, Fla. (opened in March 2006)
- Chicago (opened in July 2005)
- Austin, Texas (opened in July 2005)
- Tallahassee, Fla. (opened in July 2005)
- Allen Park, Mich. (opened in July 2005)

At a Target store in Austin, Texas, storm water is directed into a sand filter and treated before it discharges into a nearby creek.







The wetland created at a Target Distribution Center in West Jefferson, Ohio, helps treat storm water before it flows into Little Darby Creek, one of the most biologically rich streams in the Midwest.

### Natural Resources Management

Natural resources management relates to protecting environmentally sensitive habitats, such as wetlands, surface water and woodlands. Target recognizes the value of preserving natural resources and works with local agencies to do our part. For example, in the fall of 2005, Target began a project to re-establish 40 acres of wetlands on the property of our distribution center in West Jefferson, Ohio. This facility resides in the watershed for Little Darby Creek, an area selected as one of the Last Great Places in the Western Hemisphere by the Nature Conservancy. We created a wetland from a mix of 20 different native species, including ones from the Darby Plains prairie ecosystem. More than 7,000 seedlings were planted. During the first and second years of the project we saw tremendous progress with the native plantings establishing themselves. Now entering its third full growing season, the area is providing a habitat for birds, frogs, butterflies and other wetland fauna. The roots and stems of wetland plants are forming a dense mat where biological and physical processes will treat and cleanse storm water, helping to protect the Little Darby Creek. In addition, the wetland is reducing maintenance costs and will not require the watering or fertilizing typically needed for mowed-grass landscaping.

### Waste Reduction

Decades ago, Target was one of the first large retailers to commit to a philosophy and practice of reducing, reusing and recycling. Over the years, we have integrated this approach into many areas of our company including store planning and design, construction, and merchandising. Today, we continue to take our responsibility seriously because we value the environment in which we live and the communities we serve.

#### Waste Reduction

Waste reduction is at the core of our environmental commitment at Target. Our solid-waste program is centrally managed from our headquarters in Minneapolis, which allows us to track performance for all stores and distribution centers. By collecting

data such as compactor weights, we ensure compactor loads are full, resulting in fewer trips to landfills, while reducing vehicle emissions. Performance metrics compare sales volume to the weight and frequency of compactor loads, and allow each store to measure its performance in comparison with all other stores.

Through our commitment to reduce waste, we have been able to reuse, recycle or rethink the end-of-life use for 70 percent of our materials that would previously have been sent to a landfill. We are encouraged by our success and continue to evaluate new opportunities to expand our programs.

### Recycling

We have established recycling programs in place to collect several waste materials generated by our stores and distribution centers. As shown in the graph on the following page, cardboard recycling accounts for the largest part of our waste reduction strategy. Our recycling programs benefit the environment, fuel the economy, and, in many cases, generate income for us. As new markets grow and existing ones strengthen, Target will continue to innovate around recycling. Current initiatives include:

- **Garment Hangers** – Target actively manages our supply of plastic garment hangers by reusing them until they are damaged. Each hanger is re-circulated through our supply chain an average of four times and clothing arrives at stores already set on hangers. This program minimizes packing material, conserves natural resources and reduces workload.

By reusing our hangers in 2006, Target kept 385 million hangers from entering landfills. Another nearly 2.1 million pounds of plastic and 153,000 pounds of metal we've recycled from broken hangers for use in a variety of post-consumer goods.

The environmental benefits of our hanger reuse and recycling program were highlighted in a climate case study produced by the U.S. Environmental Protection Agency in 2004. A copy of this report can be found online at [www.epa.gov/epaoswer/non-hw/reduce/wstewise/climate/pubs.htm](http://www.epa.gov/epaoswer/non-hw/reduce/wstewise/climate/pubs.htm). To our knowledge, Target is the only national retailer with a hanger reuse program.

## Target Stores & Distribution Centers

### Recycling & Reuse of Waste

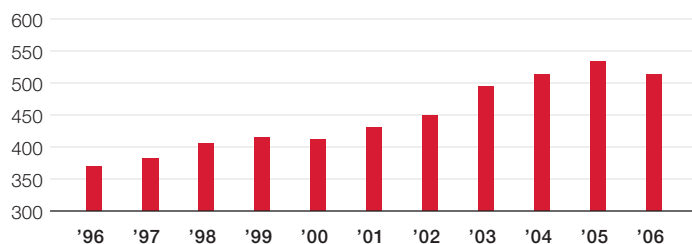
(percentages based on total number of recycled and/or reused materials)



### Target Stores

#### Cardboard Recycling Average

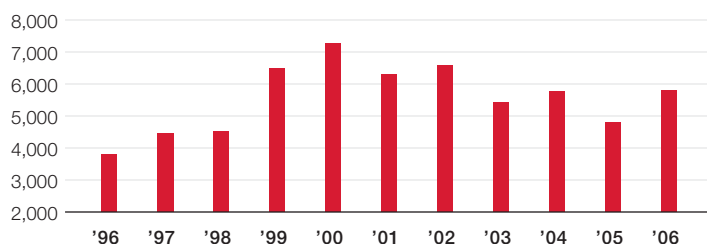
(in thousands of pounds per location)



### Target Distribution Centers

#### Cardboard Recycling Average

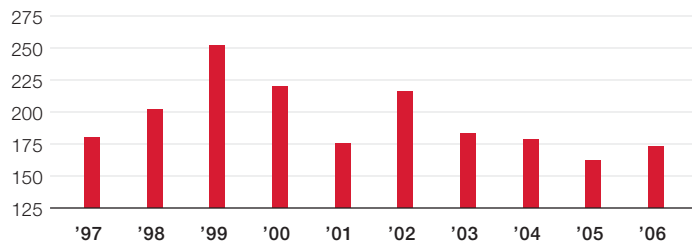
(in thousands of pounds per location)



### Target Distribution Centers

#### Shrink Wrap Recycling Average

(in thousands of pounds per location)



\* 2005 cardboard-recycling totals were over-reported in the 2006 Corporate Responsibility Report. The total amount recycled by Target stores and distribution centers was 858,898,000 pounds.

- Corrugated Cardboard** – Since the early 1990s, Target has focused heavily on driving cardboard recycling performance at our stores and distribution centers. At these locations, cardboard is baled and sold to contracted recyclers. In 2006, each store recycled an average of 500,000 pounds of cardboard and each DC recycled an average of 6 million, totaling more than 911.1 million pounds.\* And as in prior years, Target's cardboard recycling revenue outpaced the amount paid in trash expenses.

At the end of 2006, 64 percent of Target stores backhauled corrugated cardboard on delivery trailers heading to Target distribution centers. The bales are consolidated into full truck loads at the distribution center. As the graphs below reveal, our cardboard-recycling performance varies from year to year and is likely dependent on product type and volume, and our ever-changing product assortments. We will continue to challenge our stores and distribution centers to maximize their cardboard-recycling performance, and look for additional opportunities to enhance this program in 2007.

- Electronics** – Environmental Services continues to manage obsolete electronics by recycling through a third-party vendor. Our program includes product returns and company-owned equipment from all Target stores, distribution centers, and headquarters locations. Our recycling vendor uses the "Glass to Glass" recycling method, meaning that all components are recycled and no waste is generated.

In 2006, Target recycled 1.4 million pounds of obsolete electronic equipment.

- Shrink Wrap** – Our distribution centers receive millions of pallets of merchandise annually, with many of the pallets encased in shrink wrap. Rather than disposing of this valuable commodity in the trash, it is collected and baled for recycling. Shrink wrap is a valuable feedstock for composite lumber and other products.

In 2006, each Target distribution center recycled an average of 175,000 pounds of shrink wrap — a total 4 million pounds and a 16 percent increase over 2005.

- Shopping Carts** – The Shopping Cart Refurbishing and Recycling Program allows Target to refurbish carts back to Target brand standards and redeploy them into stores. If carts no longer meet Target brand standards, they are sold for reuse to other companies. Carts that are not deemed fit for resale or refurbishment are recycled. The plastic and metal from the carts is recycled for reuse in products such as plastic pallets and rebar in building construction.

Last year, 47,600 broken shopping carts were collected from our stores for refurbishing or recycling. Of this number, we bought back 1,900 refurbished carts (at a reduced fee) to use again, and the remaining carts were either sold to a third party or sent to a recycler.

- **Construction Waste** – In 2003, Target began requiring metal recycling as part of our remodel construction projects, and we continue to drive this initiative. At the same time, our construction contractors started using our store cardboard balers to recycle packaging from equipment installations. Through 2006, as part of this initiative, more than 1 million pounds of cardboard have been recycled, which otherwise would have been thrown away. Target is also recycling concrete as part of our new store development and remodel construction projects. In 2006, we recycled 3.3 million pounds of concrete.
- **Carpet and Ceiling Tiles** – In 2006, Target piloted a carpet-recycling program at six stores undergoing remodeling or a carpet-replacement project. More than 92,000 pounds of carpet were collected for recycling. This pilot is a partnership between the Carpet America Recovery Effort (CARE); one of Target's carpet suppliers, Masland; and the recycler, Champion Polymer. Last year, we also initiated a ceiling-tile recycling pilot. So far, we have tested the recycling process at five remodeled stores. From our pilot, we collected 64,100 pounds of old fiberglass ceiling tile, which was used as feedstock for manufacturing new ceiling tile. By turning old ceiling tile into new ceiling tile, we are creating a closed-loop recycling process.
- **Roofing Material** – A new pilot is underway to recycle roof membranes, creating another closed-loop recycling process. We are working with one of our roofing suppliers to remove the old membrane at our Target store in Silver Springs, Md., and recycle it into new roofing product, including walkway pads, protection membranes, and roofing and waterproofing membranes. The pilot test will provide insight into best practices and the feasibility of developing a nationwide program.
- **Headquarters Recycling** – In 2006, our headquarters locations in Minnesota and Arizona recycled 5.2 million pounds of mixed paper and 803,100 pounds of corrugated cardboard. We also provide recycling for beverage containers at most offices. Last year, Target Plaza (our primary campus) collected 7,100 pounds of aluminum and 100,200 pounds of glass and plastic. In February 2006, Target rolled out an inkjet-recycling program for headquarters offices in Minnesota, Arizona and South Dakota. Team members are encouraged to recycle used inkjet cartridges from desktop printers (either from work or home). Once collected, each inkjet cartridge is disassembled, refurbished and resold as a new inkjet cartridge. Proceeds are donated to environmental organizations.

## Reuse

At Target, we continue to focus on utilizing the full life of a product. We do this by identifying partners within the community who can benefit from items that Target no longer needs. As a result, Target has found ways to reuse everything from food to file cabinets; paint cans to party supplies; and office equipment to home décor. This approach not only saves millions of dollars in disposal costs, it allows individuals and organizations throughout the country to acquire goods they need, but could

otherwise not afford. When our salvage opportunities are maximized, we support our communities, keep useful items out of the waste stream, and reduce waste expenses.

- **Merchandise Salvage** – Target's salvage program promotes the resale and reuse of damaged and overstocked merchandise. Last year, we salvaged more than 134.7 million pounds of unsold product, including seasonal and clearance merchandise. More than 900 Target stores maintain a for-profit partnership with local Goodwill Industries affiliates or other nonprofit agencies. These nonprofits and charities provide needed goods and services to the community, including basic needs, community enrichment and job training. Remaining stores and distribution centers partner with a select number of national vendors to liquidate product on our behalf.
- **Vendor Returns** – Target manages programs in partnership with our merchandise vendors to promote recycling and reuse of unsold product. In 2006, Target processed approximately 45.6 million pounds of product returns to select vendors. These programs only apply to certain products, and support overstock, quality issues, or damage situations.
- **Product Donation Program** – Since 2001, Target has partnered with America's Second Harvest, the Nation's Food Bank Network, to donate our overstock grocery items. America's Second Harvest is a nationwide nonprofit organization dedicated to feeding people in need through more than 50,000 food pantries, soup kitchens and after-school feeding programs. In 2006, Target donated 7.8 million pounds of food. This is the equivalent of providing 6.2 million meals to people in need. In 2007, Target will continue to refine processes to maximize donations and minimize waste of edible product. Our stores and distribution centers also donate overstock and damaged pet food and supplies to local animal humane societies and shelters.
- **Asset Recovery** – Target's Asset Recovery program assists team members company wide with the management of excess or retired corporate assets through redeployment, donation, resale and recycling. Requests are managed through internal and external Web sites. Typical items include food-service equipment, store fixtures, forklifts, technology equipment, vehicles, security equipment, semi-trailers and other industrial equipment. Our in-house program helps manage risk, increase recovery and track asset disposition. In 2006, Target sold more than 5,300 surplus assets and redeployed an additional 2,100 items. The Asset Recovery program contributes to our goal of keeping equipment out of the waste stream.

## Carbon Footprint

As a responsible corporate citizen, Target recognizes the importance of understanding our carbon footprint. With growing scientific evidence of the threat of global warming, Target is working aggressively to identify ways to minimize our carbon footprint.





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

We recognize that climate change could adversely impact us by producing higher energy costs, increased operational expenses (to track and manage climate-change issues) and incremental capital investment (for carbon dioxide reduction projects). As a result, Target puts tremendous focus on best practices for energy-efficient building design and operations. Our objective is to be aware of the implications of our energy decisions and to be a responsible energy consumer in running our business. We are committed to doing our part to minimize carbon dioxide (CO<sub>2</sub>) emissions.

### Carbon Footprint

Understanding our carbon footprint has involved review of our operations corporate wide and the development of a greenhouse-gas inventory. First developed in 2004, the inventory was prepared in partnership with the U.S. EPA voluntary Climate Leaders program and in accordance with Climate Leaders guidelines, which are based on the Greenhouse Gas (GHG) Protocol. The inventory revealed a carbon footprint consisting mainly of indirect emissions related to our consumption of energy required to light and heat our facilities, and to a lesser degree, direct emissions associated with the generation of power by natural gas.

Our total greenhouse gas emissions in 2006 were 2.63 million metric tons of CO<sub>2</sub>-equivalent (CO<sub>2</sub>e). This includes all direct and indirect emissions from facilities that are under Target's operational control. GHG Protocol emissions by source are as follows:

- Scope 1, Direct emissions: 140,000 metric tons of CO<sub>2</sub>e
- Scope 2, Indirect emissions: 2.49 million metric tons
- Scope 3, Other emissions: not applicable

This data has been reviewed for accuracy by U.S. EPA's technical assistance contractor as part of Target's participation in Climate Leaders.

**Carbon Disclosure Project** – Since 2005, we have reported our annual greenhouse-gas emissions and climate-change risks to the Carbon Disclosure Project, a group of institutional investors worldwide, representing \$41 trillion in funds under management. The group assesses the potential business risks

and opportunities related to climate change based on responses to a questionnaire completed by the largest quoted companies in their portfolio.

### Energy Efficiency

Target continually evaluates new technology to maximum energy efficiency. In 2006, we received rebates and incentives from utility companies nationwide that made it financially feasible to install more energy-efficient equipment. This included the installation of energy-efficient lighting and HVAC equipment in new stores and replacing existing equipment with more efficient models in old stores. Our partnerships with local gas and electric companies continue in 2007, as we look for opportunities to utilize the latest in energy-efficient technology.

Our energy-management system is centralized and controlled at Target headquarters, allowing us to implement company-wide energy policies and to troubleshoot existing systems. Alarms are generated to notify operators of store comfort issues and the need for equipment service. Refrigerated product is maintained by a state-of-the-art Web-based system to control display-case temperature, generate redundant alarms if product temperatures are out of range, and provide energy-efficient defrost cycles.

All of our stores incorporate the following energy-saving technologies:

- **T8 fluorescent lamps and electronic ballasts** – Target was among the first retailers to adopt this technology in 1992. In addition, we are changing our three-lamp lighting fixture to a two-lamp fixture. This retrofit project will result in a 22 percent energy savings, without compromising lighting levels in the store. We will also save money on the recycling of spent lamps over the life of the store.
- **Integrated energy-management system** – These control lighting; refrigeration, heating and cooling equipment; and exhaust fans.
- **Motion sensor lighting in the stockrooms** – This technology results in a reduced energy demand from lighting by more than 80 percent in those areas.
- **Utilizing light-emitting diodes (LED) instead of neon** for all new stores' exterior signage will result in an 80 percent energy savings and reduced maintenance costs.

## Energy Demand Management

The vast majority of Target's current carbon footprint is tied to the energy (electricity and natural gas) consumed in existing stores. To effectively manage this consumption, Target is taking steps to more actively integrate, monitor and control the energy-efficient technologies that exist in our stores. To this end, we are expanding our Demand Management program to refocus our efforts on proactively managing energy demand. The Target Demand Management program will evaluate and/or implement the following initiatives in 2007:

- Demand-response programs aimed at reducing our instantaneous demand for energy during peak periods through temporary adjustments to the operation of our energy-consuming building systems
- Re-evaluating standards for temperature set points, lighting levels, and equipment run times to identify energy-reduction opportunities
- Expanding the use of electricity and natural-gas meters in stores to assist in performance diagnostics, operational improvements, and measurement and verification
- Working to evaluate the feasibility of retrofitting existing stores' on-site energy-generation systems with renewable sources, such as solar panels and fuel cells

## Building Systems Commissioning

More than 80 percent of the energy consumed in a typical Target store is used by heating and cooling systems, lighting systems, and refrigeration systems. As such, optimizing the operational performance and efficiency of these systems is paramount to our ability at Target to manage our carbon footprint. Target views the commissioning process as a means to achieve this objective.

In 2007, Target will launch a new working group focused on the development, implementation and management of a commissioning program for our new and existing stores. The commissioning process will be used to verify that energy-consuming systems are operating as efficiently as possible throughout the life of the store. This process will also work to continuously improve the way Target designs, builds, operates and maintains our stores with a focus on reducing ongoing maintenance and extending the service life of equipment.

## Green Energy Use

A partnership with Oklahoma Gas & Electric provides the maximum amount of electricity generated by wind power to power our stores in Oklahoma. This renewable resource not only saves thousands of dollars annually, but helps to reduce greenhouse-gas emissions from our operations.

In the State of California, we negotiated a multi-year energy-supply contract with Minnesota Methane that began in July 2006. Energy comes from Minnesota Methane's plant located in the Los Angeles Basin. This contract fulfills Target's resource adequacy (RA) capacity requirement and Target's entire renewable portfolio standard (RPS) requirement for 2006 through 2009. These renewable purchases account for approximately 14 percent of Target's Direct Access energy purchases.

- **Harnessing Solar Energy** – Target is currently harvesting the sun at four stores in California. Annually, these rooftop solar (photovoltaic) panels generate 20 percent of these stores' electricity needs, and combined, reduce greenhouse-gas emissions by 13,600 metric tons of carbon dioxide (USEPA Standard Energy Mix for California) annually. Fourteen additional Target stores in California will be retrofitted with solar-panel systems by the end of 2007.
- **Using Solar Lighting** – In 2005, Target participated in the Energy Conservation Incentive program offered by Southern California Edison. Our architects and engineers designed a roof for our Target store in Fontana, Calif., that uses hundreds of Solatube skylights to harness solar energy. With this system, sunlight is directed through a rooftop skylight and diffused into an acrylic lens located in the store's ceiling. During June (the longest sunlight period), the skylights provide as much as 100 percent of the store's sales-floor lighting needs for six hours a day. In December (the shortest sunlight period), the maximum output is 75 percent of the sales-floor lighting needs for four hours each day. By supplementing with natural lighting, this store saves, on average, 17,000 kilowatt hours of electricity per month.

Solar tubes direct sunlight energy into the Fontana North Target store in California.





In our stores, we offer natural, organic and eco-friendly products, including Method products with nontoxic ingredients and natural fragrances and compact fluorescent bulbs that use 2/3 less energy than standard bulbs,

provide the same amount of light while generating 70 percent less heat, and last up to 10 times longer.

## Eco-Friendly Products and Packaging

At Target, we are continually “rethinking” our merchandise assortment to lessen impacts on our communities, our environment and our bottom line. Many of our categories include products made from recycled materials, non-toxic chemicals, or all-natural ingredients. And at SuperTarget, we offer approximately 700 organic foods, including produce. We are also specifying more environmentally friendly packaging applications for our private-label brands.

### Environmentally Friendly Products

We will continue to evaluate and expand our eco-friendly products based on market availability and guest preference. The following are some examples of eco-friendly products currently sold at Target or on Target.com:

- **Domestics** – Target carries terry-cloth bath towels and 250-thread-count sheets made from 100 percent organic cotton, which is grown without the use of pesticides or synthetic fertilizers. Both products are Target-owned brands.
- **Electronics and Lighting** – For the energy-conscious guest, Target and Target.com offer a variety of electronics, appliances and lighting — including compact fluorescents and LEDs — that use less electricity. Many of these products carry the Energy Star rating for high efficiency.
- **Grocery** – Target guests are placing increased importance on incorporating organic foods into their eating habits. To support this growing trend and the desires of our guests, we have been steadily increasing our organic food offerings.

SuperTarget has approximately 700 organic offerings from several brands, and this strategy continues to grow. Our Archer Farms® organic selections include great-tasting products like organic cereals, whole-wheat spaghetti and jarred applesauce. Our SuperTarget stores also carry organic produce. In August 2006, we were certified by the U.S. Department of Agriculture as an organic produce retailer. Everything from garden-fresh vegetables to berries, bananas and oranges are now available for guests who want the best organic produce that nature has to offer.

- **Health and Beauty** – To reflect today’s trend in personal well-being and the health of the environment, our skin care selection includes all-natural products, like Burt’s Bees. Target launched this brand in stores in November 2006, with a mix of gift sets and best-selling products. The Burt’s Bees assortment will expand in 2007 to a complete line of products, including a Natural Personal Care section featuring lip products, body and face care, shower items and a selection of trial/travel gift kits.
- **Household Cleaners** – Our assortment of detergents and home clearing products includes non-toxic alternatives from brands such as Method. These products use plant-based ingredients that are non-toxic and biodegradable. And they smell great, too, with natural fragrances like lavender, cucumber and citrus.
- **Infant Wear** – For the littlest guest, Target offers infant wear made from organic cotton. Our selection includes bodysuits, sleepsacks, hooded towels, caps and receiving blankets that are ultra soft and pesticide free.



- **Lawn and Patio** – For the outdoors, we offer garden hoses and Target Brand door mats made from durable, recycled rubber.
- **Pet Products** – Target carries a variety of pet products made from recycled materials, as well as all natural kitty litter and organic catnip.
- **Stationery and Office Paper** – Our stationery and office-paper assortments include products made from recycled paper, such as greeting cards, notebooks and copier paper. In greeting cards, our leading recycled-content brand is Recycle Paper Greetings, which includes designs by many exclusive artists, like Kathy Davis. These cards and envelopes are made from 30 to 100 percent post-consumer waste. In our American Greetings line, all domestically produced cards are printed with soy-based inks, and some new programs are printed on recycled paper, containing 30 percent post-consumer waste.

### Reusable Bag

Target has developed a reusable shopping bag, launching in June 2007 in our California stores. The bag will be offered at a minimal price and will provide an option to our environmentally conscious guests by supplying an alternative to plastic bags. This California program was prompted by a regulatory requirement; however, Target is considering offering them in other markets and online through Target.com as well.

### GiftCard Innovation

Target is leading the gift-card market in using resins made from renewable resources. In December 2005, Target introduced the first corn-based gift card on the market (made from PLA, or polylactic acid).

In 2007, select designs will be printed on PHA (polyhydroxyalkanoate), a resin made from corn and other sugar-producing plants. This material is 100 percent biodegradable and compostable. PHA is also carbon neutral, so it will not compound the world's ever-increasing buildup of greenhouse gases. Through an exclusive partnership agreement, Target will be the first to market with a gift card made from PHA.

We're a leader in gift card innovation, including producing cards made from renewable resources like PLA, and cards with reusable features like plantable "seed paper" packaging and a snap-off flower marker.



### Sustainable Packaging

Target is a founding member of the Sustainable Packaging Coalition — a leading and highly respected organization in this emerging field. We are participating in joint activities to better understand how our packaging needs can meet sustainability requirements.

As of 2006, Target dedicated a packaging team to focus on both structural and graphic design of our owned-brand packaging. This team has visibility to packaging choices being made during product development and can make recommendations on more sustainable choices or reduce packaging where feasible. Two recent programs which the team impacted include:

- Replacing a full PVC clamshell package in our Media Storage line with a modified paperboard/clamshell option
- Eliminating an ultraviolet (UV) varnish (a petroleum-based synthetic which makes waste paper virtually non-recyclable) on the graphic design of all seasonal programs

Target now works with a specific group of printers around the world to produce packaging for our various owned brands by using highly qualified firms that are familiar with Target brands, we dramatically increase the consistency and quality of our packaging elements as well as our ability to request and verify the material content of our packaging.

We are also looking for opportunities to source packaging materials that are:

- Recyclable
- Made with recycled content
- Biodegradable or biocompostable
- Made with renewable resources
- Manufactured using renewable energy or using less nonrenewable energy
- Sourced from companies practicing responsible harvesting

**Recycled-Content/Recyclable** – Target now specifies that the top sheet for all private-label corrugated packaging is to contain 90 percent post-consumer recycled content. The majority of our products will meet this specification by spring 2008. For our organic cotton bath and bedding program launched in 2007, Target sourced paper stock made from 100 percent post-consumer recycled paper and printed with vegetable/soy-based inks. We also migrated from plastic to corrugated packaging for Target Brand dinner and salad plates. By making this change, we minimized our impact on the environment and saved money without compromising shelf appeal.

**Bio-Plastics** – We have introduced six PLA packages in the bakery and deli areas in our SuperTarget stores. PLA (or Polylactic acid) is a biodegradable polymer derived from cornstarch. We will look at expanding the use of PLA in our Food Avenue and SuperTarget locations as additional supply becomes available.

**Renewable Energy** – Target is actively partnering with manufacturers using renewable energy. In 2007, select Archer Farms Organic product lines will convert to a paperboard manufacturer that uses 100 percent wind power. Additionally, this paperboard and manufacturer are certified with the Forestry Stewardship Council.

**Recycled Paper** – Target uses recycled-content paper for many of the print materials that we produce internally. Last year, Target Printing Services purchased 4.23 million pounds of recycled paper, of which 2.1 million pounds contained 30 percent post-consumer fiber and 2.13 million pounds contained 10 percent post-consumer fiber. Recycled paper accounted for 66 percent of total paper stock used at our in-house printing facility.

### Non-Retail Procurement

Over the last year, Target has been looking at more environmentally friendly alternatives for the non-retail goods and packaging that we procure for our stores, distribution centers and headquarters. In 2006, we introduced a kid's meal box in our Food Avenue restaurant (at all Target stores) that is made from 100 percent recycled content, with a minimum of 40 percent post-consumer fiber. In 2007, we will switch from styrofoam to paper cups in Food Avenue and our headquarters cafeterias. Also, the sleeve for hot beverages will contain 100 percent recycled content with a minimum of 60 percent post-consumer fiber.

### Design for the Environment

At Target, we are committed to providing our guests with great design and more choices than they can find anywhere else. Great design is consistent with protecting and managing our environmental resources.

For example, Target initiated talks with manufacturers to remove harmful Perfluorooctanoic (PFOA) chemicals from their products used in fabric and garment processing specifically those with stain management properties. They were encouraged to develop alternatives to the existing chemistry that were free of PFOA. Target will be transitioning all its apparel with stain management properties to PFOA-free chemistry with no impact to cost. The products will begin transitioning in the third quarter of 2007 and should be complete by mid-2008.

We are intensively assessing our use of polyvinyl chloride (PVC) plastic and the viability of alternatives and actively pursuing opportunities, in collaboration with our vendors, to reduce PVC in our products and packaging, including:

- Building awareness on our buying teams to issues surrounding the manufacture and disposal of PVC products to facilitate wise buying choices.
- Replacing full PVC clamshell package in our media storage line with a modified paperboard/clamshell option.
- Migrating from plastic to corrugated packaging for some of the Target Brand dinnerware.
- Converting plastic backercards to recycled-content paperboard on hair accessories products, representing millions of units.
- Offering shower curtains made from ethylene vinyl acetate (EVA) as well as cloth curtains as alternatives for our guests.
- Requesting that our vendors reduce the amount of packaging on their products and use materials that are easily recyclable
- Meeting with our vendors to understand the challenges in moving away from PVC.



The kid's meal in our Food Avenue restaurant in all Target stores is made from 100 percent recycled content, with a minimum of 40 percent post-consumer fiber.

A new "Sustainable Products Guide" is being developed to educate internal product designers, sourcing specialist and merchants about sustainable products, and to help them identify suppliers who are committed to the principles of sustainable design. This guide addresses general principles of sustainable design and specific environmental considerations associated with forest and paper products and PVC plastics. It will be expanded in the future to address other product-specific issues.

### Sustainable Facilities

Part of our commitment to the environment includes a respect for local communities and eco-systems. From redeveloping brownfields to incorporating smart design features in our buildings, we are minimizing our environmental footprint. Target will continue to identify new strategies to operate more sustainably.

### Property Acquisition – Environmental Due Diligence

Target performs environmental due diligence on all properties sited for new stores, whether leased or purchased. Using the American Society of Testing and Materials (ASTM) E-1527 protocol as a template, Target has developed its own Phase I protocol that expands the basic requirements to include a review of local regulations/ordinances and natural resources such as wetlands, critical habitat and endangered species. It also incorporates the new requirements for due diligence under the Brownfields Revitalization Act for Bona Fide Prospective Purchasers, Contiguous Property Owners, and Innocent Landowner Defense status. Following our protocol allows us to make educated decisions regarding potential environmental concerns. We ensure the quality of information we receive by pre-screening consultants, and establishing a Master Service Agreement contract with sophisticated insurance, liability/indemnification and financial requirements.





This former trucking facility (left) in the McKinley Park neighborhood of Chicago was redeveloped into a Target store in March 2006 (right).



It was the first U.S. Green Building Council Leadership in Energy and Environmental Design (LEED) certified Target store.

### Brownfield Redevelopment

With Target's entry into densely-populated major metropolitan areas, our expansion strategy includes redeveloping environmentally impaired properties, referred to as "Brownfield" sites. Properties may range from minor spill sites to former Superfund sites. Redevelopment of these properties is guided by a comprehensive understanding of a site's environmental conditions along with a feasible remediation solution that meets State and Federal clean-up standards. Where appropriate, we enter into Voluntary Cleanup Programs with state agencies to ensure that our remediation solution adequately protects the environment. In addition, by redeveloping Brownfield sites, Target creates jobs in the community and increases tax revenue to cities and schools. More than one-third of Target's new store openings in 2006 were either Brownfield redevelopment sites or reflected the redevelopment and re-use of existing buildings. Recent examples include:

- A redeveloped former trucking facility site in the McKinley Park neighborhood of Chicago (opened in March 2006), was the first U.S. Green Building Council Leadership in Energy and Environmental Design (LEED) certified Target store.
- A store located at a former construction and debris landfill in Acworth, Ga., opened in July 2006.
- A store located at a former industrial and commercial multi-use area utilized as a railroad maintenance yard, steel fabricating facility, gas station, fuel oil plant, concrete plant, lumber yard, and auto repair facility in Miami, Fla., opened in October 2006.
- A store located on a redeveloped area with 14 active and inactive oil wells, 100 structures, and underground storage tanks in Cleveland opened in July 2006.

### Development Specifications

Target has created a Developer Guide with specifications for the construction of a retail store building and associated guest parking. Stores are constructed using masonry bearing walls,

steel columns, joists and beams. Steel bar joists commonly include industry-specified amounts of recycled steel and Target's specification allows for the use of concrete containing fly ash and recycled/reground material. Our stores are designed for a 50-plus-year life cycle with scheduled maintenance. Planned renovations during a building's life cycle maintain and enhance the value of our financial investment and reinforce our brand. Our design specifications include the use of:

- Low VOC (volatile organic compound) carpet, adhesives, sealants and paints
- Locally manufactured construction materials, when feasible
- Steel bar joists and concrete building components that have been fabricated from recycled materials
- Natural or cultivated grasses and plants indigenous to the area for the lawn and landscaping
- Office furnishings for our executive team members that are GreenGuard certified and office equipment that carries the Energy Star certification
- Outdoor lighting fixtures that are dark-sky friendly and have full cutoff
- Energy management systems monitored from our headquarters facility

**Roofing** – In addition to the above specifications, our prototype roof consists of a white membrane designed to last 20 to 30 years. This product is the most durable material on the market, and we have been using it on all of our new stores and re-roofing projects since 2001. Besides durability, our white roofs provide other environmental benefits, including reflection of the sun's heat, which helps to reduce the heat-island effect of the store. Another benefit is water quality; rain-water runoff from a white roof membrane is considered to be "clean" from a pollutant perspective, compared to gravel and tar roofs where rain-water runoff may contain oils from the tar.



## Sustainable Design

For years, we have leveraged many sustainable store-design features, primarily related to water efficiency, energy efficiency, material use and recycling. Our current store prototype garners 17 to 18 points under the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) Green Building Rating System.™ LEED is a widely recognized nationally accepted benchmark for the design, construction, and operation of high-performance, sustainable buildings. Twenty-six points are needed to achieve LEED Certification. Our next prototypical model would earn approximately 21 points under this rating system. Target will continue to evaluate sustainable design practices, such as carpet and paint recycling, energy-efficient fixtures, and storm-water technologies that benefit the environment, our communities, and our bottom line.

**Green Building** – Target has been a member of the U.S. Green Building Council since 1997, and is actively participating on a committee (Application Guide for Retail) to enhance and advance the use of LEED standards for the retail industry. We currently have two new stores in the Chicago market (McKinley Park and Peterson Avenue) that have achieved certification-level recognition under the LEED for New Construction guideline. Another store in Allen Park, Mich., has been registered for LEED review and is awaiting certification. Other potential projects are being considered.

Sustainable-design features of the Peterson Avenue store include:

- Low-flow fixtures in restrooms that reduce water use by 30 percent
- Heating, ventilation and air conditioning (HVAC) systems that meet energy savings 30 percent greater than required by city code
- 75 percent of construction waste recycled or salvaged
- Lumber certified by the Forest Stewardship Council
- Roofing materials for almost 94 percent of the roof surface either meet the emissivity/reflectivity requirements for LEED, or have been installed with a vegetated roof
- Improved indoor air quality by measuring carbon dioxide levels in the store and increasing the quantity of outdoor ventilation air intake as the number of guests increase
- Public transportation within walking distance, including a city bus that “shuttles” guests to a rail transit station
- More than 55 percent of the total project's materials, based on cost, were manufactured using raw materials harvested within 500 miles of the project site

**Green Roofs** – Four Target stores in Chicago are sheltered by a “green” roof, partially or completely covered by hardy plants (typically sedums) growing in a thin layer of soil. The City of Chicago is leading the nation in applying this LID technology. Currently, there are more than 250 green roofs throughout the city. Green roofs filter air pollutants, absorb storm water, modify temperature fluctuations, and provide habitats for birds.

The Peterson Avenue Target store in Chicago is the most recent Target store to achieve LEED Certification approval from the U.S. Green Building Council.



## Economic Responsibility.

As we fulfill our brand promise to our guests, provide our team members with a rewarding work environment and improve the quality of life in our communities, we also create substantial, long-term value for our shareholders by:

- Delivering reliable growth in average annual earnings per share over time
- Maintaining a strong and flexible capital structure
- Employing disciplined guidelines for capital investment
- Continuing to embrace corporate governance best practices, in keeping with our decades-long tradition



## Financial Performance

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

## Corporate Governance Profile

For information, visit [Target.com/investors](http://Target.com/investors) and click on "Corporate Governance," then "Governance Guidelines."

## Business Conduct Guide

For information, visit [Target.com/investors](http://Target.com/investors) and click on "Corporate Governance," then "Business Conduct Guide."

## Financial Summary

	2006 (a)	2005	2004	2003	2002	2001
<b>Financial Results:</b> (in millions)						
Sales	\$57,878	\$51,271	\$45,682	\$40,928	\$36,519	\$32,602
Net credit card revenues	1,612	1,349	1,157	1,097	891	419
Total revenues	59,490	52,620	46,839	42,025	37,410	33,021
Cost of sales	39,399	34,927	31,445	28,389	25,498	23,030
Selling, general and administrative expenses (b)	12,819	11,185	9,797	8,657	7,505	6,612
Credit card expenses	707	776	737	722	629	313
Depreciation and amortization	1,496	1,409	1,259	1,098	967	820
Earnings from continuing operations before interest expense and income taxes (c)	5,069	4,323	3,601	3,159	2,811	2,246
Net interest expense	572	463	570	556	584	470
Earnings from continuing operations before income taxes	4,497	3,860	3,031	2,603	2,227	1,776
Provision for income taxes	1,710	1,452	1,146	984	851	675
Earnings from continuing operations	\$ 2,787	\$ 2,408	\$ 1,885	\$ 1,619	\$ 1,376	\$ 1,101
<b>Per Share:</b>						
Basic earnings per share	\$ 3.23	\$ 2.73	\$ 2.09	\$ 1.78	\$ 1.52	\$ 1.22
Diluted earnings per share	\$ 3.21	\$ 2.71	\$ 2.07	\$ 1.76	\$ 1.51	\$ 1.21
Cash dividends declared	\$ .460	\$ .380	\$ .310	\$ .270	\$ .240	\$ .225
<b>Financial Position:</b> (in millions)						
Total assets	\$37,349	\$34,995	\$32,293	\$27,390	\$24,506	\$19,808
Capital expenditures	\$ 3,928	\$ 3,388	\$ 3,068	\$ 2,738	\$ 3,040	\$ 3,002
Long-term debt, including current portion	\$10,037	\$ 9,872	\$ 9,538	\$11,018	\$11,090	\$ 8,957
Net debt (d)	\$ 9,756	\$ 8,700	\$ 7,806	\$10,774	\$10,733	\$ 8,873
Shareholders' investment	\$15,633	\$14,205	\$13,029	\$11,132	\$ 9,497	\$ 7,896
<b>Financial Ratios:</b>						
Revenues per square foot (e)(f)	\$ 316	\$ 307	\$ 294	\$ 287	\$ 281	\$ 277
Comparable-store sales growth (g)	4.8%	5.6%	5.3%	4.4%	2.2%	4.1%
Gross margin rate (% of sales)	31.9%	31.9%	31.2%	30.6%	30.2%	29.4%
SG&A rate (% of sales)	22.2%	21.8%	21.4%	21.2%	20.5%	20.3%
EBIT margin (% of revenues)	8.5%	8.2%	7.7%	7.5%	7.5%	6.8%
<b>Other:</b>						
Common shares outstanding (in millions)	859.8	874.1	890.6	911.8	909.8	905.2
Cash flow provided by operations (in millions)	\$ 4,862	\$ 4,451	\$ 3,808	\$ 3,188	\$ 2,703	\$ 2,601
Retail square feet (in thousands)	192,064	178,260	165,015	152,563	140,294	125,359
Square footage growth	7.7%	8.0%	8.2%	8.8%	11.9%	10.9%
Total number of stores	1,488	1,397	1,308	1,225	1,147	1,053
General merchandise	1,311	1,239	1,172	1,107	1,053	991
SuperTarget	177	158	136	118	94	62
Total number of distribution centers	29	26	25	22	16	14

(a) Consisted of 53 weeks.

(b) Also referred to as SG&A.

(c) Also referred to as EBIT.

(d) Including current portion and notes payable, net of marketable securities of \$281, \$1,172, \$1,732, \$244, \$357 and \$84, respectively. Management believes this measure is a more appropriate indicator of our level of financial leverage because marketable securities are available to pay debt maturity obligations.

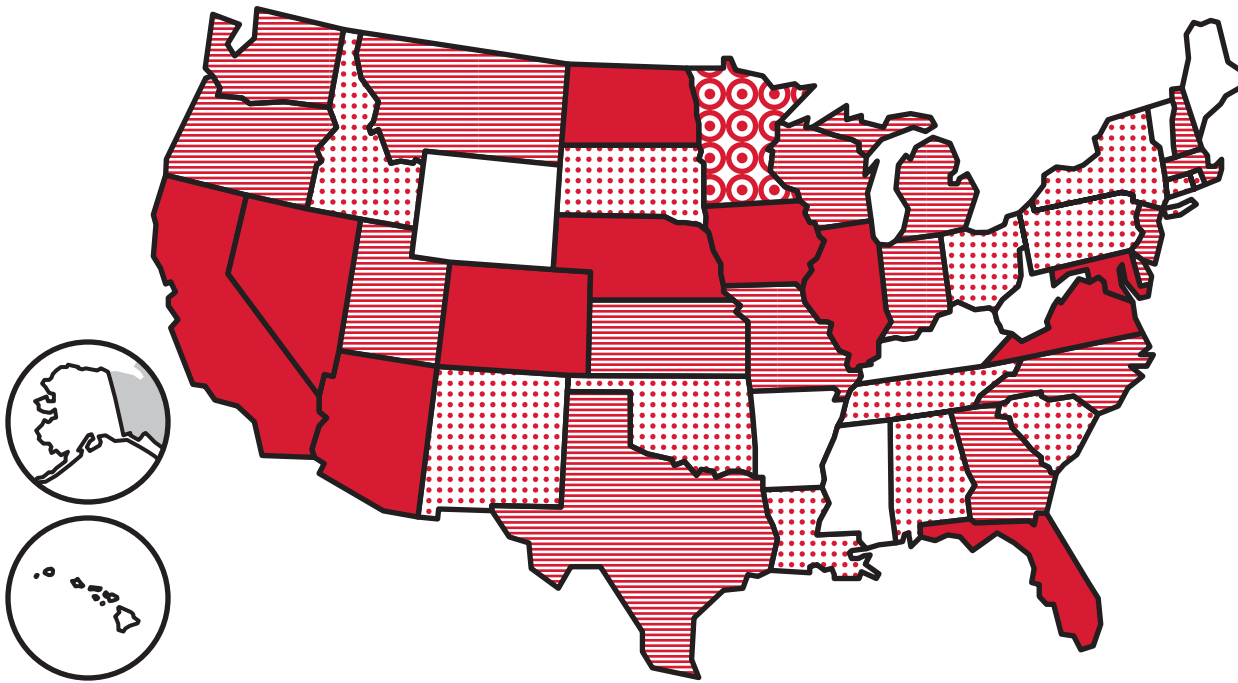
(e) Thirteen-month average retail square feet.

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

(g) See definition of comparable-store sales in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations in our 2006 Annual Report.



## 2006 Sales Per Capita



## Year-end Store Count and Square Footage by State

Sales per Capita Group	No. of Stores	Retail Sq. Ft. (in thousands)	Sales per Capita Group	No. of Stores	Retail Sq. Ft. (in thousands)
<b>Over \$300</b>			<b>\$101-\$150</b>		
Minnesota	66	8,997	Alabama	13	1,919
<b>\$201-\$300</b>			Connecticut	14	1,834
Arizona	41	5,081	Idaho	6	664
California	209	26,391	Louisiana	12	1,726
Colorado	36	5,265	New Mexico	9	1,011
Florida	102	13,532	New York	55	7,323
Illinois	79	10,589	Ohio	56	6,836
Iowa	21	2,855	Oklahoma	11	1,536
Maryland	31	3,935	Pennsylvania	41	5,220
Nebraska	12	1,581	Rhode Island	3	378
Nevada	15	1,863	South Carolina	17	2,097
North Dakota	4	554	South Dakota	4	417
Virginia	42	5,498	Tennessee	26	3,210
<b>Group Total</b>	<b>592</b>	<b>77,144</b>	<b>Group Total</b>	<b>267</b>	<b>34,171</b>
<b>\$151-\$200</b>			<b>\$0-\$100</b>		
Delaware	2	268	Alaska	0	0
Georgia	47	6,222	Arkansas	6	745
Indiana	32	4,207	Hawaii	0	0
Kansas	18	2,450	Kentucky	12	1,383
Massachusetts	26	3,284	Maine	4	503
Michigan	56	6,466	Mississippi	4	489
Missouri	31	4,068	Vermont	0	0
Montana	7	767	West Virginia	5	626
New Hampshire	8	1,023	Wyoming	2	187
New Jersey	36	4,666	<b>Group Total</b>	<b>33</b>	<b>3,933</b>
North Carolina	44	5,716			
Oregon	18	2,166	<b>Total</b>	<b>1,488</b>	<b>192,064</b>
Texas	130	17,392			
Utah	11	1,679			
Washington	32	3,714			
Wisconsin	32	3,731			
<b>Group Total</b>	<b>530</b>	<b>67,819</b>			

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



## Corporate Overview

Target Corporation is a retail growth company focused on providing exceptional value to U.S. consumers through our Target-brand upscale discount stores and a fully integrated online business called Target.com. In addition to our U.S. retail operations, we have offices in more than 40 countries to support our global sourcing initiatives, and we employ hundreds of team members in India, through Target India, to support technology and other business services. Target Corporation is incorporated and headquartered in Minnesota, and has been publicly held since our initial public offering in 1967 (NYSE: TGT).

In keeping with our heritage and long-standing practice of corporate responsibility, Target Corporation is committed to being premier in every facet of our business — for our guests, our team members, our shareholders and the communities where we do business. We strive to attain this position by:

- Delighting our guests through consistent delivery of our “Expect More. Pay Less.” brand promise
- Creating a workplace in which the individuality of our team members is valued and high-performing team members can excel
- Pursuing strategies that generate double-digit average annual earnings per share growth over time

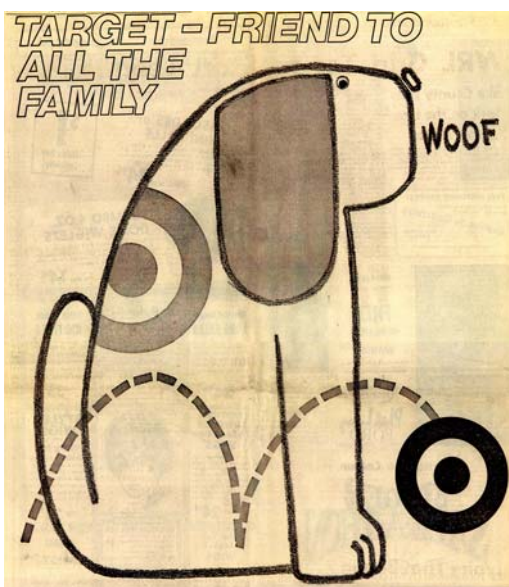
- Demonstrating leadership in corporate governance
- Ensuring the ongoing health and strength of the communities in which we operate through financial support of education, arts and social service organizations, volunteerism and respect for our physical environment

## Discontinued Operations

On June 9, 2004, the company entered into an agreement to sell our interest in Marshall Field’s and the Minnesota Mervyn’s stores to The May Department Stores Company. The sale of Marshall Field’s was completed on July 31, 2004, while the sale of the Minnesota Mervyn’s stores was completed on Aug. 24, 2004.

On July 29, 2004, we entered into an agreement to sell the balance of Mervyn’s retail stores and distribution centers to an investment group that included Sun Capital Partners, Inc., Cerberus Capital Management, L.P., Lubert-Adler/Klaff and Partners, L.P., and to sell Mervyn’s credit card receivables to GE Consumer Finance, a unit of General Electric Company. This sale transaction was completed as of Aug. 28, 2004.

As a result of these transactions, Mervyn’s and Marshall Field’s are classified as discontinued operations, and Target Stores represents the primary driver of the corporation’s continuing operations. Target Corporation’s continuing operations provide the complete scope of this report.



In 1962, Target opened its first store in Roseville, Minn.

## Company History

### 1900s – 1950s

- Founder George Dayton opens his first store, named Goodfellows, in downtown Minneapolis, Minn., in 1902.
- In 1946, The Dayton Company begins the tradition that keeps us strong today: 5 percent of profits go back to the communities we serve.
- In 1956, The Dayton Company opens Southdale, the world's first fully enclosed two-level shopping center.

### 1960s

- In 1962, The Dayton Company enters discount merchandising with the opening of its first Target store in Roseville, Minn.
- In 1967, Dayton Corporation goes public with its first offering of common stock.
- In 1969, the company merges with J.L. Hudson Company and adopts the name: Dayton Hudson Corporation (DHC).

### 1970s

- For the first time, the corporation's revenues top \$1 billion.
- Dayton Hudson Corporation acquires Mervyn's to become the seventh-largest U.S. retailer.
- Target Stores becomes the corporation's largest revenue producer by the end of the decade.

### 1980s

- Revenues more than double to \$10 billion.
- In 1984, Dayton's and Hudson's combine to form Dayton Hudson Department Store Company, the largest independent U.S. department store.

### 1990s

- Dayton Hudson acquires Marshall Field's in 1990.
- In 1994, Bob Ulrich becomes chairman and CEO of the corporation.
- A year later, Target launches the first-ever discount store credit card (Target Guest Card), and opens its first SuperTarget store.
- In 1997, Target introduces Take Charge of Education.
- In 1998, the company acquires Rivertown Trading and launches its direct mail and e-commerce efforts.
- The same year, Target acquires Associated Merchandising Corporation (AMC), a global sourcing organization.
- By the end of the decade, revenues exceed \$30 billion.

### 2000 and Beyond

- Dayton Hudson Corporation begins a new era with a new name: Target Corporation.
- In 2001, Dayton Hudson Department Store division changes its name and all of its stores' names to Marshall Field's.
- Also in 2001, Target rolls out its Target Visa card nationwide.
- In 2002, the company celebrates the 40th anniversary of Target Stores and marks the 35th year of being a publicly traded company.
- In 2004, Target Corporation sells its Marshall Field's and Mervyn's businesses to focus on its primary brand and growth vehicle: Target Stores.
- In 2005, revenues exceed \$50 billion.



## Awards and Recognition

### 2006 Awards

- Recognized as one of “America’s Most Admired Companies” by *Fortune*.
- Named the corporate recipient of *Newsweek*’s first “Giving Back Awards” for hitting the Bullseye “when it comes to giving time, talent and cash.”
- Ranked second in the Corporate Citizenship Survey on factors such as valuing employees, ethics, community involvement and corporate social responsibility.
- Named to *Fortune*’s “Top 100 Employers for Women” list.
- Honored as one of the “World’s Most Innovative Companies” by *BusinessWeek* for providing excellent product choices, attractive stores, great guest service, a focus on substance style and value, and for redefining the term “discount retail.”
- Received the Corporate Literacy Quill Award in recognition of Ready. Sit. Read!, our national initiative aimed at fostering a love of reading among children.
- Honored by the Federal Bureau of Investigation with the “Director’s Community Leadership Award” for “service above and beyond the call of duty to help keep America and its kids safe.”
- Received a first-place National Award for Waste Reduction at the 2005 Keep America Beautiful awards, which honor outstanding programs that minimize the impact of waste and promote responsible waste handling.
- Recognized as the “Best Employer for Healthy Lifestyle” by the National Business Group on Health.
- Recognized by the National White Collar Crime Center (NW3C) for continued dedication in support of state and local law enforcement and NW3C.
- Recognized by the International Association of Chiefs of Police (IACP) for our continued support and contributions to the IACP.
- Received the U.S. Secret Service “Certificate of Appreciation” from Director W. Ralph Basham for efforts and superior contributions to the law enforcement responsibilities of the Secret Service.

### 2007 Awards

- Named one of the “World’s Most Ethical Companies” by the Ethisphere Council.

### Other Awards

For additional information regarding Target Corporation, or our initiatives and commitments related to corporate responsibility, you may send an e-mail to [investorrelations@target.com](mailto:investorrelations@target.com), or write to:

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

## Injury and Illness Prevention Program

Target Corporation facilities will administer a comprehensive and continuous occupational Injury and Illness Prevention Program (IIPP) for all team members. The health and safety of the individual, whether in distribution center, store or headquarters locations, takes precedence over all other concerns. Management’s goal is to prevent accidents and to reduce personal injury and occupational illness and comply with all safety and health standards.

### Responsibility

The store manager, store team leader, director, general manager or department head,           (name)          , has the authority and responsibility for implementing the program, and           (name)           is responsible for overall management and administration of the Injury and Illness Prevention Program. Each team leader/department manager is responsible for implementing the IIPP in his/her work area. A copy of the IIPP shall be available from your facilities Safety Organizer, and questions regarding the program should be directed to your team leader/department manager.

### Team Member Compliance

Team members who follow safe and healthy work practices will have this fact recognized and documented on their performance reviews. Team Members who are unaware of correct safety and health procedures will be trained or retained as described in Section VII.

### Communication

The Safety Team Meeting notes identify matters concerning occupational safety and health, and these issues will be communicated to team members by written documentation, staff meetings, formal training and posting. Communication from team members to team leaders/department managers and/or the SCT members about unsafe or unhealthy conditions is encouraged and may be verbal or written, as the team member chooses. The Target team member may also use the safety concern card.

No team member will be retaliated against for reporting hazards or potential hazards or for making suggestions related to safety.

Our Safety Team Meeting notes will contain the results of the investigation of any team member’s safety suggestion or report of hazard, and this will be distributed to all team members affected by the hazard or shall be posted on the appropriate safety board(s).

### Inspections

A team leader/department manager and/or safety team representative will conduct an inspection/investigation to identify unsafe work conditions and practices:

- Once a month the Safety Checklist or Safety Observation Cards should be completed for all work areas.
- Whenever new substances, processes, procedures or equipment are introduced in to the workplace that represent a new occupational safety and health hazard.
- Whenever the team leader/department manager/safety team representative is made aware of a new or previously unrecognized hazard.

The Safety Meeting Notes, Assessments and Building Service Calendar may be used to document these inspections.

### **Injury And Illness Investigation**

Occupational injuries and illnesses will be investigated in accordance with established procedures and documented, as described on our Safety Web site.

### **Correction Of Unsafe Or Unhealthy Conditions**

Whenever an unsafe or unhealthy condition, practice or procedure is observed, discovered or reported, the team leader/department manager or designee will take appropriate corrective measures in a timely manner based upon the severity of the hazard. Team members will be informed of the hazard and interim protective measures taken until the hazard is corrected.

Team members may not enter an imminent hazard area, without appropriate protective equipment, training and prior specific approval of the team leader/department manager or designee.

### **Training**

- The store manager, store team leader, director, general manager and department heads or designee shall assure the team leaders/department managers receive training to familiarize them with the safety and health hazards to which team members under their immediate direction and control may be exposed.
- Team leaders, department managers and department heads are responsible to ensure that those team members under their direction receive training on general workplace safety and on safety and health issues specific to their job. This training is provided:
  - To all new hires and team members given new job assignments when training has not already been received.
  - Whenever new substances, processes, procedures or equipment are introduced to the workplace and represent a new hazard.
  - Whenever the employer is made aware of a new or previously unrecognized hazard.

### **Record Keeping**

The store manager, store team leader, director, general manager, department heads or designee shall keep records of inspections, including person(s) conducting the inspection, the unsafe conditions and work practices that have been identified, and action taken to correct the identified unsafe conditions and work practices. These records shall be maintained for one (1) year (Safety Checklist, Safety Observation Cards, Monthly Safety Inspections, Safety Meeting Notes, Safety Concern Cards).

He/She shall also keep documentation of safety and health training attended by each team member, including team member's name or other identifier, training dates, type(s) of training and training providers. This documentation shall be maintained for three (3) years.

## **Standards of Vendor Engagement**

Target Corporation, and its affiliated companies, conducts its business in an ethical manner. We are concerned about human rights. We expect our business partners to share our ethical concerns. We use the following standards in selecting our business partners and expect compliance with these standards by our business partners, including all manufacturers, contractors, subcontractors and suppliers utilized in the manufacture and finishing of products that are ordered by Target Corporation or any of its affiliated companies.

### **Safe and Healthy Workplace**

We seek business partners who provide a safe and healthy workplace that complies with local laws. Business partners who provide residential facilities for their workers must also provide safe and healthy residential facilities in compliance with local standards.

### **No Forced or Compulsory Labor**

We will not knowingly work with business partners who use forced labor in the manufacture of products for our stores.

### **Fair Disciplinary Practices**

We will not knowingly work with business partners who utilize physical or mental punishment against their employees.

### **No Discrimination**

While we respect cultural differences, we believe workers should be employed based on their abilities, rather than their race, gender, personal characteristics or beliefs, and encourage our business partners to eliminate discrimination in their workplaces.

### **Reasonable Working Hours and Overtime**

We seek business partners that do not require a workweek which exceeds local laws or business customs, and encourage our business partners not to require more than a 60-hour workweek on a regularly scheduled basis, except for compensated overtime in compliance with local laws.

### **Fair Wages**

We seek business partners that provide wages and benefits in compliance with local laws, and encourage our business partners to commit to the betterment of wage and benefit levels that address the basic needs of workers and their families.

### **No Child Labor**

We will not knowingly work with business partners who utilize child labor. We define child labor as being below the local minimum working age or the age 14, whichever is greater. We do make an exception for legitimate apprenticeship programs.

### **Country of Origin**

We will not knowingly work with business partners who use deceptive practices to deliberately misrepresent country of origin in order to evade quota or other import restrictions or duties on any products that will be sold in our stores.

## GRI Guidelines Cross Reference

GRI Section Reference	Content	Target Report Section / Page
1.1–1.2 Vision and Strategy	Company's sustainability strategy	CEO Letter
2.1–2.22 Company Profile	Name and major service	Corporate Overview / Page 35
	Operational structure	Corporate Overview / Page 35
	Major divisions	Corporate Overview / Page 35
	Operations in other countries	Global Compliance – Global Sourcing Agents / Page 18
	Scale of organization	Corporate Overview / Page 35
	Contact person for report	Awards and Recognition / Page 37
	Reporting period	Awards and Recognition / Page 37
	Significant changes in size, structure	Corporate Overview / Page 35
	Means by which report users can obtain additional information about Target's e/e/s* activities	Various – noted in each section, as relevant
3.1–3.2 Governance Structure and Management Systems	Structure, including Board of Directors committees, responsible for strategy and oversight	Corporate Governance Profile – Board Committees / Page 33
	Percentage of Board members that are independent, nonexecutive directors	Corporate Governance Profile – Mix of Inside and Outside Directors Independence ... Directors / Page 33
	Process for determining expertise	Corporate Governance Profile – Board Membership Criteria / Page 33
	Board-level processes for overseeing e/e/s actions	Corporate Governance Profile – Corporate Responsibility Committee / Page 33
	Linkage between executive compensation and financial goals and performance	Corporate Governance Profile – Formal Evaluation of the CEO / Page 33
	Internally developed codes of conduct, policies and status of implementation of e/e/s programs	Integrated into each section of the report, as appropriate
	Mechanism for shareholders to provide recommendations to the Board of Directors	Corporate Governance Profile – Board Interaction with Institutional Investors, the Press, Guests and Others / Page 33
	Externally developed e/e/s principles or initiatives to which Target subscribes or endorses	Environment / Pages 19–31 Diversity / Pages 10–12
	Policies for managing upstream and downstream impacts; e.g., supply chain, outsourcing, etc.	Global Compliance – Target Corporation Compliance Organization / Page 17
	Approach to managing indirect impact of e/e/s activities	Global Compliance / Pages 16–18 Environment / Pages 19–31
	Processes for establishing goals, improving performance, communicating with and training employees, auditing/reviewing results of e/e/s efforts	Included in each section, as appropriate
	Status of certification pertaining to e/e/s management systems	

\* e/e/s = Economic, Environmental and Social



Economic Performance Indicators	Content	Target Report Section / Page
EC1	Net sales/revenues	Financial Performance / Page 33
EC2	Geographic breakdown of markets; market share	Financial Performance / Page 43
EC3	Cost of goods	Financial Performance / Page 33
EC8	Taxes	Financial Performance / Page 33
EC10	Donations to community	Community Giving / Page 3
Social Performance Indicators	Content	Target Report Section / Page
LA2	Net employment creation	Commitment to Team Members / Page 10
LA3	Percentage of employees represented by collective bargaining agreements	Union Philosophy / Page 14
LA5	Practices regarding recording and notification of occupational accidents and diseases	Health and Safety / Page 13
LA10	Description of EEO policies	Focus on Diversity and Equal Opportunity / Pages 10–12
LA11	Diversity composition of senior management and Board of Directors	Focus on Diversity and Equal Opportunity / Pages 10–12
HR1	Description of policies re: human rights	Global Compliance / Pages 16–18
HR2	Evidence of consideration of human rights impacts as part of investment and procurement decisions, including vendor selection	Global Compliance / Pages 16–18 Standards of Vendor Engagement / Page 38
HR3	Description of policies and procedures to evaluate and address human rights performance of vendors	Global Compliance / Pages 16–18 Standards of Vendor Engagement / Page 38
HR4	Policies and procedures for preventing discrimination	Focus on Diversity and Equal Opportunity / Pages 10–12 Business Conduct Guide / Page 33
HR5	Description of freedom of association policy and extent to which policy is applied	Union Philosophy / Page 14
HR6	Description of policy regarding prohibition of child labor, application of policy and procedures to enforce policy	Global Compliance / Pages 16–18 Standards of Vendor Engagement / Page 38
HR7	Description of policy to prevent forced/ compulsory labor – audit practices	Global Compliance / Pages 16–18 Standards of Vendor Engagement / Page 38
SO1	Policies to manage impacts on communities in areas affected by activities	Community Giving / Pages 3–8
SO2	Compliance mechanisms for addressing bribery and corruption	Business Conduct Guide / Page 33
SO3	Compliance mechanisms for addressing political lobbying and contributions	Business Conduct Guide / Page 33
PR1	Policy for preserving customer health and safety during use of products and services	Business Conduct Guide / Page 33
PR3	Consumer privacy	Business Conduct Guide / Page 33

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