

# TARGET CORPORATION



Being committed to the social, economic and environmental health of the communities we serve is a key part of Target's heritage, a cornerstone of Target's strategy and vital to our long-term success. This commitment began in 1918 when company founder George Draper Dayton formed a corporate foundation to give back to the community. And our commitment was further strengthened in 1946 when the company's management formalized our policy to contribute five percent of our federally taxable profits.

Today, Target continues to work hard to enhance the communities we serve. We are actively engaged in programs that benefit families and young children through our donations of more than \$2 million dollars each week; we endeavor to design stores that complement and protect the environment in which we operate, even as we continue to grow; and 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

# Target Corporation Corporate Responsibility Report

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## 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 our on-line business called Target.com. In addition to our U.S. retail operations, we have offices in over 40 countries throughout the world to support our global sourcing initiatives. 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 longstanding 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 average annual earnings per share growth of 15 percent or more over time,
- Demonstrating leadership in corporate governance, and
- 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 August 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 August 28, 2004.

As a result of these transactions, Mervyn's and Marshall Field's are now 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.

### Company History

#### **1900s – 1950s**

- Founder George Dayton opens the first store named Goodfellows in downtown Minneapolis, Minnesota in 1902.
- In 1946, the Dayton Company begins the tradition that keeps us strong today: 5% of federally taxable 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 stores.
- 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 7<sup>th</sup> 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 stores.
- 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.
- The next year, Dayton Hudson Department Store Company 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 40<sup>th</sup> anniversary of Target Stores and the 150<sup>th</sup> anniversary of Marshall Field's, and marks the 35<sup>th</sup> 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.

## **Corporate Governance Profile**

### **Selection of Chairman and CEO**

The Chairman of the Board may, but is not required to, also hold the office of the Chief Executive Officer. Presently, the positions of Chairman of the Board, Chairman of the Executive Committee and CEO are combined in one person. The Chairman of the Board acts as the Chairman of the Executive Committee and annually reviews matters of corporate governance relating to the Executive Committee's structure, role and relationship to the Board of Directors and management. The offices of CEO and Chairman of the Board are separately evaluated by the Executive Committee of the Board of Directors each year.

### Independent Director as Vice Chairman of Executive Committee

The Vice Chairman of the Executive Committee is an independent director. He or she is annually appointed by the Board together with the appointment of the various committees of the Board of Directors, each of which has a Chairperson assigned to it.

The Vice Chairman of the Executive Committee chairs executive sessions of non-management directors and has responsibility to write the annual performance reviews of the CEO and Chairman of the Board based on the input of the independent members of the Executive Committee. The Vice Chairman also serves as liaison between the Chairman of the Board and the non-management directors and has authority to convene meetings of non-management directors at every Board meeting.

### Board Committees

The Board has the following Committees: Audit, Finance, Nominating, Compensation, Corporate Responsibility, Corporate Governance and Executive. The Board has flexibility to form new committees or disband a current committee.

The Nominating Committee, Compensation Committee, Audit Committee, Finance Committee, Corporate Responsibility Committee and the Corporate Governance Committee are each composed exclusively of independent directors. The Executive Committee is composed of all the independent directors plus the Chairman of the Board of the Corporation.

There are formal position descriptions for the Audit, Finance, Nominating, Compensation, Corporate Responsibility, Corporate Governance and Executive Committees. Detailed descriptions, which are available on our target.com website (click on "investor information/corporate governance/board committee position descriptions"), clearly define the respective functions and responsibilities of each committee. A summary is provided below:

- **Audit Committee** – To assist the Board of Directors in monitoring:
  - The accounting, financial and external reporting policies and practices of the corporation,
  - The integrity of the Corporation's financial statements;
  - The independence, qualifications and performance of the Corporation's independent auditor;
  - The performance of the Corporation's internal audit function;
  - The MIS and operational policies and practices that affect internal controls;
  - The employee benefit plans; and
  - The Corporation's compliance with legal and regulatory requirements and its standards of business conduct and ethics.
- **Finance Committee** - To provide the Board of Directors with assurance that the financial policies and financial condition of the Corporation will enable it to achieve its long-range objectives.
- **Nominating Committee** - To assure that the Corporation has sufficient strength on the Board of Directors to assist the Corporation in achieving its short and long-term goals.
- **Compensation Committee** – To approve and recommend to the independent members of the Executive Committee of the board of Directors all short term compensation and compensation plans for the board of Directors, the CEO of the Corporation and the members of the Executive Management Committee of the Corporation and other members of the Corporation's Senior Management Group, and to approve and authorize grants under the Corporation's Long Term Incentive Plans to members of these groups.
- **Corporate Responsibility** - To press the Corporation toward being an exemplary citizen by approving policy and evaluating the performance of the Corporation in its interactions with the environments in which it does business.

- **Corporate Governance Committee** – To develop and recommend to the Board of Directors a set of corporate governance principles applicable to the Corporation, and to monitor and assess the adequacy of their implementation.
- **Executive Committee** – To assure that the Corporation has sufficient organizational strength in management to achieve its short and long term goals, to provide for effective utilization of the Corporation's executive compensation programs and to provide an opportunity for open dialogue between the Chief Executive Officer and outside directors.

#### Assignment and Rotation of Committee Members

The Board appoints members of its committees on an annual basis. As described in the Position Description for the Board of Directors, the Nominating Committee is responsible for reviewing and recommending to the Board the composition, organization and responsibilities of the Board's committees. As part of that process, the Nominating Committee evaluates the eligibility of Board members for membership in the respective Board committees.

The full Board of Directors is ultimately responsible for determining committee eligibility and membership. Committee assignments are rotated periodically at about a five year interval.

#### Committee Meetings

The Corporation annually prepares a master agenda setting forth each Board committee meeting during the annual cycle and the items to be considered at each such meeting. The Chairperson of each respective committee reviews the agenda for each such committee meeting. Each committee and the full Board of Directors annually approve the frequency of all committee meetings.

#### Committee Agendas

While the Corporation annually prepares a master agenda setting forth each Board committee meeting during the annual cycle and the items to be considered at each such meeting, the full Board of Directors retains ultimate control over its committees, their meeting schedules and agendas.

#### Selection of Agenda Items for Board Meetings

The Corporation annually prepares a "Board of Directors Master Agenda." This Master Agenda sets forth an agenda of items to be considered by the Board of Directors at each of its regular meetings during the year. The Chairman of the Board may adjust the agenda to include special items not contemplated on the annual Master Agenda. The Vice Chairman has an opportunity to review information and agendas sent to the Board to assure that there is sufficient time for discussion of all agenda items.

The Board of Directors annually reviews the Corporation's long-term strategic plans and principal issues. Periodically during the year the Board receives strategic updates from management of the Corporation.

Each Board member is free to suggest inclusion of items on the agenda and to raise at any Board meeting subjects that are not specifically on the agenda for that meeting.

#### Board Materials Distributed in Advance

The Board of Directors is fully informed in advance of all major proposals and has an opportunity to make meaningful and deliberate contributions to the decision-making process. To further that policy, information and data that is deemed important to the Board's understanding of the business is distributed in writing to the Board for review by the Board prior to the Board meeting at which such matters will be considered. Management makes every attempt to see that this material is brief while still providing the desired information. On occasions where the subject matter is too sensitive to be put on paper, certain proposals will be discussed at the meeting.

### **Regular Attendance of Non-Directors at Board Meetings**

In addition to the Corporate Secretary - General Counsel, such executive officers of the Corporation as the Board may request attend each meeting of the Board, excluding its executive sessions.

### **Executive Sessions of Non-Management Directors**

Each Board meeting begins with an executive session of all non-management directors and the CEO. The non-management directors have a scheduled opportunity to meet in executive session without the CEO present at the end of each regular meeting of the Board of Directors. These sessions are chaired by the Vice Chairman of the Executive Committee.

### **Board Access to Senior Management and Outside Advisors**

Board members have complete access to the Corporation's senior management as well as its outside counsel and auditors, and, as necessary or appropriate, its own independent advisors. Each non-management director is expected to become familiar with the condition and operations of the Corporation through Board and Committee meetings and by personal observation and inquiry. In addition, it is the responsibility of the Chairman of the Board to facilitate constructive interaction between the Board and management of the Corporation.

### **Board Compensation Review**

The Compensation Committee of the Board of Directors is responsible for approving and recommending to the Executive Committee of the Board of Directors all compensation plans for the Board of Directors. The Policy on Composition and Function of Board of Directors provides specific details on compensation and compensation options available to members of the Board of Directors and its various committees.

### **Size of the Board**

The Corporation's Articles provide for a Board of Directors with 5 to 21 members. The Board believes that a membership of about 11 directors is appropriate.

### **Mix of Inside and Outside Directors Independence for Non-Management Directors**

A preponderance of the Board should consist of outside directors who meet the independence standards of the New York Stock Exchange. All but one of the current directors on our Board meets these requirements. Our CEO is our only non-independent director and only members of top corporate management who have the potential to be CEO should serve on the Board. No member of Corporation management will serve on an outside director's Board.

### **Board Definition of What Constitutes Independence for Non-Management Directors**

Board members should have broad perspective, experience, knowledge and independence of judgment, and business backgrounds that can bring a different set of experiences and perspectives to the Board. The Audit and Nominating Committees are required to follow the securities laws and the New York Stock Exchange rules for independence of their respective members. The Board believes there is no current relationship between any non-management director and the Corporation that would be construed in any way to compromise any non-management director being designated independent.

### **Former Chief Executive Officer's Board Membership**

No former CEO should serve on the Board for an extended time. Whether a former CEO should serve on the Board for a limited time is a matter to be decided in each individual instance. Any director of the Corporation, including any management Director, whose affiliation or position of principal employment changes substantially after election to the Board is expected to submit a resignation as a Director promptly for consideration by the Board of the effect of that change upon the interests of the Corporation.

A former Chief Executive Officer serving on the Board will not be considered an independent director for purposes of corporate governance.



### **Board Membership Criteria**

The Nominating Committee of the Board of Directors reviews and recommends the composition, organization and responsibilities of the Board of Directors.

The Board's policy sets out the optimal size, balance and rotation of the membership of the Board. These criteria require that a preponderance of the Board should consist of independent directors. Any management representation should be top corporate management and only those who have potential to be CEO. Board members should have broad perspective, experience, knowledge and independence of judgment; the members should represent a predominance of business backgrounds and should bring a different set of experiences and perspectives to the Board. Regional balance is recognized as highly desirable, and a high degree of interest and involvement are prime requisites for membership.

### **Selection of New Director Candidates**

The ultimate responsibility for selection of new director candidates resides in the Board of Directors. The screening process for that responsibility is delegated to the Nominating Committee, which reviews candidates for election as directors and annually recommends a slate of Directors for approval by the Board and election by the shareholders. In addition, the Compensation Committee periodically reviews and recommends the composition, organization and responsibilities of the Board and its committees. In addition, the Chairman of the Board maintains and periodically renews lists of potential directors.

### **Extending Invitations to New Director Candidates**

The Chairman of the Board and the senior personnel manager play important roles in contacting potential Board members under the direction of the Nominating Committee. Candidates for nomination to the Board of Directors are invited to meet with individual directors in an informal setting. Formal invitations to join the Corporation as a Board member are extended by the Chairman of the Board after the candidates have been approved by the Nominating Committee and the full Board.

### **Assessing the Board's Performance**

The Board annually reviews its performance and takes steps (including evaluating its composition, organization, responsibilities and compensation) to improve its performance and the performance of its committees.

The Chairman is required to focus the Executive Committee's attention on corporate governance matters relating to its own structure, role and relationship to the Board of Directors and management and to present to the Board any concerns management has in regard to the role of the Board of Directors or individual members.

### **Changes in Director's Principal Employment**

Any director (including management directors) whose affiliation or position of principal employment changes substantially after election to the Board will be expected to submit a resignation as a director promptly for consideration by the Board of the effect of such change upon the interests of the Corporation.

### **Retirement from Director's Principal Employment**

A non-management director who retires from principal employment may serve up to an additional three years from the date of such retirement, but only to a maximum of 15 years of service on the Board and not beyond the director's 68th birthday.

### **Term Limits**

No non-management director will serve for more than a total of 15 years in that capacity, except that when three or more such directors are due to retire within a 12 month period, the Board may request the director who is under 67 with the least service on the Board to serve up to an additional 12 months to smooth the rotation of Board members.



### Retirement Age

All directors must retire upon reaching age 68.

### Formal Evaluation of the Chief Executive Officer

The Compensation Committee of the Board of Directors annually reviews the performance of the CEO as it relates to all elements of compensation. The independent members of the Executive Committee annually review the recommendations of the Compensation Committee and, without the CEO present, approve the performance review of the Chief Executive Officer and establish the CEO's compensation. The Vice Chairman of the Executive Committee delivers the annual performance review of the CEO based on input from members of the Executive Committee. The Corporation's proxy statement contains a detailed description of the process used to review the performance of the Corporation's CEO.

### Succession Planning

The Board is responsible for assuring that the status of organizational strength and succession planning is equal to the requirements of the long-range goals of the Corporation. The Executive Committee is responsible for assuring that the Corporation has sufficient organizational strength in management to achieve its short- and long-term goals.

The Chairman of the Board is required to annually present to the Executive Committee an evaluation of the pace, direction and organizational strength of the Corporation and to see that the Corporation has an effective corporate top management team, with provision for succession.

Under the Corporation's By-Laws, upon the death, incapacity or temporary absence of the Chief Executive Officer, the Vice Chairman of the Executive Committee shall designate an acting Chief Executive Officer until further act of the Board.

### Management Development

The Chairman of the Board is required to present to the Executive Committee an evaluation of the pace, direction and organizational strength of the Corporation; ensure that the Corporation has an effective top corporate management team, with provision for succession; and ensure the development and implementation of personnel training and development plans and programs which will provide the human resources necessary for the achievement of the Corporation's goals.

The Board of Directors is required to annually review whether management succession is properly being provided so that the status of organizational strength and succession planning is equal to the requirements of the long-range goals of the Corporation.

### Board Interaction with Institutional Investors, the Press, Guests and Others

The CEO, the CFO and the senior investor relations manager are charged with responsibility to serve as the chief spokespeople for the Corporation, and thereby see that the Corporation is properly represented to its various publics.

Shareholders seeking to communicate with any individual member or group of the Board of Directors may send correspondence to Target Corporation Board of Directors, c/o General Counsel and Corporate Secretary, 1000 Nicollet Mall, TPS-3255, Minneapolis, Minnesota 55403 or may send an e-mail to [boardofdirectors@target.com](mailto:boardofdirectors@target.com). The General Counsel and Corporate Secretary will forward communications to the appropriate Board member(s).

### Orientation and Continuing Education

New directors participate in an orientation program that includes discussions with senior management, background materials on the Corporation's plans, organization and financial statements and visits to the Corporation's facilities.

## **Business Conduct Guide**

Dear Target Corporation Team Members:

Because of you, Target Corporation enjoys a strong reputation in our communities and in our industry not only as an outstanding and innovative retailer, but also as a corporation with values and beliefs that are at the core of our business success. We are committed to ethical and legal business practices and we expect you to share this commitment. You are the foundation of our success. Our continued success depends on each of us doing the right thing. You make many complex decisions and judgments as a representative of our business. Because we hire the best people, we expect you to bring good judgment and a sense of integrity to your business decisions. This Business Conduct Guide is provided to equip you with the tools you need to make sound business decisions that meet the ethical and legal standards by which Target Corporation lives. In addition, our operating companies adopt additional policies and procedures that are a part of how we ethically and legally conduct our business. It is your responsibility to read, understand and comply with this Business Conduct Guide and our policies and procedures. No guide can cover all our policies or all laws. To help you when you are uncertain how to act or wish to report a situation, remember that Target Corporation provides other tools to help you. Your supervisor or Human Resources representative are often the best and fastest way to raise and resolve problems. In addition you can anonymously call the Employee Relations and Integrity Hotline at 1-800-541-6838. Outside the United States, you can call 704-556-7046. Your adherence to the core values in this document will help us become the Best Company Ever for our guests, team members, shareholders and communities.

Sincerely,  
Bob Ulrich  
Chairman and Chief Executive Officer  
Target Corporation

### **General Business Conduct Policy**

Target Corporation is committed to conducting business lawfully and ethically. Every team member is obligated to act at all times with honesty and integrity. We expect you to bring good judgment and a sense of integrity to your business decisions. While it is not possible to list all policies and laws to be observed, or all conflicts of interest or prohibited business practices to be avoided, this Business Conduct Guide serves to detail the corporation's expectations for team member conduct and helps team members make the right decisions. Team members are expected to know the corporation's policies and comply with them. Supervisors have the responsibility to ensure that team members are aware of the company's commitment to conducting business ethically and legally. No supervisor or manager may require or imply that a team member should act illegally.

It is every team member's responsibility to understand these guidelines, to act responsibly and to report unethical or illegal business practices. To report unethical or illegal business practices, several options are available to team members. For a list of these options, see the section titled "Reporting Violations of Law or Company Policy."

### **Advertising**

We are an honest-dealing business. Our guests' trust is one of our greatest assets, and we cannot jeopardize that trust. Our advertising will provide clear and accurate information to help guests make buying decisions. It will also communicate the competitive advantages that distinguish us from other retailers. Our advertising must comply with the laws in the areas of product information, pricing, comparative pricing, product availability, credit terms, warranty statements, and telephone and mail order procedures, among others.

### **Antitrust**

Target Corporation competes vigorously and fairly and complies with all antitrust and related laws. Antitrust laws are intended to protect competition. As retailers, the primary antitrust concerns we face involve communications with our competitors or with our suppliers. Our competitors include anyone in our geographic markets selling the same or similar merchandise as we sell. Our suppliers are companies that currently provide us merchandise or may do so in the future.

**Communicating with competitors** — Team members may not discuss with our competitors retail prices, markups, markdowns or other terms or conditions of sale, or our relationships with suppliers. For competitive reasons, as well as antitrust reasons, you may not discuss our company's plans with a competitor. In addition, you may not make any agreement, whether directly or indirectly, with a competitor regarding price or other terms or conditions of sale, boycotts or market allocation.

**Communicating with suppliers** — Regular communication with our suppliers is encouraged and necessary so that we can provide the best products and information to our guests. However, you may not make any agreement, directly or indirectly, with any supplier regarding the retail price of any product. Suppliers may suggest prices for the products they sell, but team members must make the decision on the prices we put on our merchandise. You may ask suppliers what their distribution policies are to help you determine the products you select to sell. When there is a valid business reason, you may request an exclusive product from a supplier, as long as other competitive products are available in the market and the exclusivity agreement is for a reasonable time period. Our buyers may not knowingly induce or accept a discriminatory price for merchandise they buy from suppliers. Generally, it is the supplier's obligation not to sell at a discriminatory price. However, buyers must use common sense and their general business knowledge to avoid knowingly accepting a price that would be illegal for a supplier to offer.

### **Business Conduct Guidelines**

Each team member affected by antitrust laws must understand those laws in order to be able to comply with them and to maximize the company's competitiveness. Violating the antitrust laws is a felony and can result in imprisonment and fines. Damage awards in civil suits are tripled and may include costs and attorneys' fees. The cost in time, reputation and lost business can be staggering.

### **Bribery**

It is illegal to pay or receive a bribe intended to influence business conduct. Our guideline goes beyond the standard set by the law and prohibits any activity that creates the mere appearance of anything improper or anything that may embarrass the company. No assets of the company may be used to bribe or influence any decision by an officer, director, employee or agent of another company or any governmental employee or official. Nothing of value should be given directly or indirectly to foreign government officials, foreign political parties, candidates for foreign political office, or any related person to receive special treatment. It may be acceptable to entertain or provide minor gifts to a guest or supplier, as long as the expenses are nominal, consistent with good business practices and do not appear improper. However, this activity should be limited and you should consult with your supervisor if you have any questions about whether such activity is appropriate. Team members should not accept money or its equivalent from any guest or supplier. For more information on gifts, entertainment and related issues, see the Conflicts of Interest guidelines.

### **Communications**

Each team member is responsible for maintaining the company's image when communicating with others. You can enhance or hurt the company's image with every written, verbal or electronic communication. Slanderous, libelous, obscene or distasteful communications are never appropriate and will not be tolerated. Develop every communication with professionalism and our brand in mind. E-mail communications must also comply with company e-mail policies.

### **Company Assets**

Target Corporation has accounting, reporting and internal control procedures to protect the company's assets. We conduct our business according to these procedures. Each team member plays a role in using company assets appropriately. Company assets are to be purchased, used and disposed of solely for the benefit of the company.

The company also has an assets protection department whose mission is to protect the company's assets. Any team member who is aware of theft or misuse of company assets must provide the information to someone in Assets Protection or call the Employee Relations and Integrity Hotline. Information is a vital company asset. Our guidelines require that nonpublic information relating to the company, our guests and suppliers must remain confidential. In particular, non-public information about both past results and anticipated plans should be protected. In addition to not sharing confidential information with people outside of the company, those inside the company should receive only the information they need to perform their duties for the company. Your responsibility to maintain the confidentiality of the company's confidential information continues even after you leave the company. This guideline is directly related to the Securities Laws guideline, which prohibits anyone from trading securities based on material non-public information.

### **Conflicts of Interest**

You must consider whether your activities and associations with other individuals or companies may result in a conflict of interest. Could the activity or association negatively affect your ability to make business decisions in the best interest of the company or result in disclosing non-public company information? If so, you may have a conflict of interest. Here is a sample of potential conflicts of interest:

- Owning a substantial amount of stock in any competing business or in any organization that does business with us.

- Serving as a director, manager, consultant, employee or independent contractor for any organization that does business with us, or is a competitor — except with our company's specific prior knowledge and consent.
- Accepting or receiving gifts of any value or favors, compensation, loans, excessive entertainment or similar activities from any individual or organization that does business or wants to do business with us, or is a competitor.
- Representing the company in any transaction in which you or a related person has a substantial interest.
- Disclosing or using for your benefit confidential or non-public information about Target Corporation or other organizations with which we do business. This includes transactions in Target Corporation stock or our business partners' securities.
- Directly or indirectly competing with the company in buying or selling property, property rights or other interests.

### **Credit**

Target sells merchandise and services on credit to its guests using credit programs provided by third parties or Target National Bank, a subsidiary of Target Corporation. Target National Bank also issues the Target Visa, which is accepted worldwide. All credit-granting and administrative functions must accurately disclose credit terms and meet all requirements relating to fair credit reporting and equal credit opportunity. Target National Bank will comply with all applicable laws, rules and regulations.

### **Disclosures — Prompt and Accurate**

We are committed to full, fair, accurate, timely and understandable disclosure in all our public communications and in the information that we provide to the Securities and Exchange Commission and the New York Stock Exchange. To maintain that commitment, we will comply with all applicable securities laws and regulations, accounting standards, accounting controls and audit practices. These standards will be maintained for both required and voluntary disclosures.

### **Environmental Laws**

Target Corporation is concerned with protecting and preserving the environment. We comply with all federal, state and local environmental protection laws. In addition, we encourage all team members to conserve energy and other resources, to reduce the amount of waste the company produces, and to participate actively in any recycling efforts.

### **Financial Integrity and Reporting and Related Internal Controls**

We must keep books, records and accounts in reasonable detail that accurately and fairly reflect the company's transactions and assets. This requirement will help ensure the accuracy of our financial records and the audits that are the foundation of our financial disclosures. We must also develop and maintain a system of internal accounting controls that provide reasonable assurance that we have attained our bookkeeping and accounting objectives. Team members must make sure that all of our accounting and internal control procedures are followed.

### **Imports, Customs**

All products bought by Target Corporation must comply with all applicable laws, regulations, standards and orders of the United States or any state or local government (e.g., U.S. Customs Service). In addition, all labeling and all customs entry and commercial documents required for entry into the United States must be true and accurate. This policy applies to any vendors working with Target Corporation as well.

### **Intellectual Property**

Target Corporation trademarks and service marks, including logos, must always be used exactly as they are registered or, in the case of non-registered marks, as they are established by our company. This includes spelling the mark as registered, using the proper registration symbols and using correct grammar. If other organizations use any of the company's intellectual property, including, but not limited to, its copyrights, patents, trademarks and/or service marks, without authorization, they will be vigorously prosecuted as determined by Target Brands, Inc. Team members must not violate the intellectual property rights of other organizations. We will comply with reasonable intellectual property usage requirements communicated by third parties that have business relationships with us. The company owns any inventions, discoveries, ideas, concepts, works of authorship and trade secrets that a team member develops during the employment relationship. The team member will help the company document the company's ownership of this type of intellectual property.

### **Personnel-Related Laws:**

#### **Non-Discrimination and Harassment**

Target Corporation is committed to providing a work environment that allows team members to be productive and effective in their jobs. In addition, we comply with all applicable federal, state and local laws and regulations affecting employment practices, such as pay rates and meal breaks, overtime, occupational health and safety, equal employment opportunity and sexual harassment, among others. We are committed to providing a work environment that is free from discrimination and harassment. Discrimination is strictly prohibited and will not be tolerated. This applies to all areas of employment, including hiring, training, advancement, compensation, discipline and termination. In addition, each operating company has a policy prohibiting sexual harassment and other unlawful harassment, and team members must comply with that policy.

We are committed to providing a work environment that complies with all wage and hour laws. Target Corporation takes proactive steps to ensure that team members are paid appropriately, classified correctly, and treated fairly. Hourly team members must record all of their work time and take all required meal breaks within the appropriate time required by law. All team members should understand that Target Corporation prohibits any "off the clock" work and strictly forbids conduct by exempt team members that may encourage or condone the inaccurate recording of work time. Exempt team members who are responsible for supervising team members are required to focus most of their time on management-related activities, including directing, training, coaching and managing the performance of team members, and

ensuring execution of job responsibilities. As part of its commitment to leadership, Target Corporation expects these activities to be the primary duty of these exempt team members, with minimal participation in tasks routinely performed by team members. Target Corporation is also committed to providing a safe and healthy environment for team members and guests. Team members must report all safety concerns or accidents to their supervisors, no matter how slight the problem. Violence, or the threat of violence, will not be tolerated. All company locations must comply with Occupational Safety and Health Administration requirements.

### **Political Activities**

Team members may participate and contribute to political organizations or campaigns. In fact, in the interest of healthy communities and a strong political system in our country, team members are encouraged to do so. If you choose to get involved in political activities, you must do it on your personal time with your personal funds and in your own name. These activities cannot be done on the company premises. You may take time off from work to vote in elections if you are unable to vote during non-working hours. The company has the right to express political views through contributions to campaigns or political activities that do not involve the election of candidates. Company contributions to federal election campaigns are prohibited. Certain states permit corporate contributions to candidates for election to state and local offices. Company participation in state political activities occurs only at the direction of the Vice President, Government Affairs.

Target Corporation may form and administer political action committees (PACs) to encourage team member contributions to political campaigns. Team member contributions must be personal and voluntary. Except for these activities stated above, no representative of the company may make any contribution on behalf of the corporation or agree to contribute company money, property or services to any political candidate, party, organization, committee or individual or for any other political purpose. Any questions about when and where political activity is allowed can be directed to the company's General Counsel or Vice President Government Affairs.

### **Privacy**

We understand and value the trust our guests and team members place in us when they share information with us. We have extensive physical, electronic and procedural safeguards in place to keep information about our guests and team members secure. All team members must comply with these safeguards. Target Corporation complies with all applicable laws and regulations regarding the privacy of guest and team member information including all laws regulating the privacy of guest financial information and the privacy of guest and team member medical information. In addition, the privacy policies we communicate to our guests advise them how we collect, use and protect information they provide to us. All team members need to understand and follow any privacy policies that apply to their jobs.

### **Product Safety**

Target Corporation is committed to providing high quality, safe products to our guests. Violating product safety laws may result in monetary penalties, costly administrative attention and litigation, as well as negative publicity. We require our vendors to warrant that all goods sold to the company comply with all applicable laws. We also comply with our own obligations to report and remove from sale unsafe products.

### **Securities Laws**

**General Rule** — It is illegal and against company policy for you — or any member of your immediate family living in the same household — to buy or sell Target Corporation securities when you have material, non-public information (defined below). In addition, you may not buy or sell securities of any other company, including our vendors and other partners, if you have material non-public information about that company as a result of your association with Target Corporation.

**Tipping** — Selective disclosure of material inside information about Target Corporation to others who trade in its securities is called tipping, and it is prohibited. Both parties — the one sharing the information and the one receiving the information — are subject to penalties. This applies even if both parties are outside of the company. This policy is related to the more general Conflicts of Interest guideline that requires all team members to maintain the confidentiality of the company's non-public information.

**Material information** — Information is generally called "material" if it is important enough to influence a reasonable investor's decision to buy, sell or hold securities. Examples of material information include: unreleased sales and/or earnings figures; projections of future earnings or losses; news of a pending or proposed merger or asset purchase; a major new contract or lawsuit; a change in dividend policies; a change in management; news of a significant sale of assets or the disposition of a subsidiary; and the gain or loss of a major supplier. Either positive or negative information may be material.

**Non-public/Inside information** — Information not widely shared with the financial community or reported to the media is generally called "non-public" or "inside" information. Information, even though it is released, may remain non-public for some period of time, typically a full business day, until it has been digested by the financial markets. There are many factors to consider when determining whether information is material or non-public. When in doubt, you should assume the information is material and non-public. There are no exceptions to this policy, and violation of the policy may result in serious criminal and civil penalties, in addition to disciplinary action by the company. Executive officers and directors of the company must comply with additional requirements when trading in the company's securities. These include avoiding "short swing" trading and filing periodic reports about their trading activities.

### **Vendor Standards**

We want to do business only with suppliers/vendors who conduct business ethically and legally. All suppliers/vendors are expected to comply with the Target Corporation Standards of Vendor Engagement. Failure to comply will expose suppliers/vendors to possible termination of their business relationship with us.

### **Reporting Violations of Law or Company Policy**

To help protect the company and individual team members, it is essential that you promptly and fully report any situation that may violate the law or company policy — whether you are involved in the situation or not.

1. For company policy violations, report the violations to your manager or Human Resources.
  2. For violations of the law, you can report the violation in any of the following ways:
    - Contact your supervisor
    - Call the Employee Relations and Integrity Hotline at 1-800-541-6838. Outside the United States, you can call 704-556-7046.
    - Contact your compliance officer (the CFO)
    - Write to: Target Corporation, 1000 Nicollet Mall, Minneapolis, MN 55403
- Attention: Chief Financial Officer

All reported violations will be investigated and acted on appropriately. When you report a violation, you may choose to remain anonymous. If you choose to identify yourself, your identity will be protected as much as possible, based on the need to prevent potential harm to others, to comply with the law and to conduct a complete investigation. You will not be subject to retaliation for reporting a suspected violation in good faith. You will receive confirmation that your report was received and, in most instances, you will be notified of the action the company took. Reports that raise material concerns about our accounting practices, internal controls or audit matters will be referred to the company's Audit Committee. Any waiver of a provision of the Business Conduct Guide applicable to our executive officers or directors may be made only by the Board of Directors of the company or a committee of the Board designated for that purpose and will be promptly disclosed to our shareholders.



## Social Responsibility

### Community Giving

Target Corporation has a longstanding tradition of strengthening families and communities through innovative programs and partnerships. Since 1946, we have contributed 5 percent of our annual federally taxable income to support families and communities, and today we remain one of a very few companies that maintains this level of sustained giving. Target Corporation gives back over \$2 million each week to the communities where we do business. Our giving is directed both by Target Corporation and by the Target Foundation, each with specific areas of focus and commitment. The Target Foundation provides support for arts and social service organizations in the Twin Cities. For updated information on our community giving programs and partnerships, please visit [www.target.com/communitygiving](http://www.target.com/communitygiving).

Target Corporation supports families and communities in four primary areas:

**Education** - Target is committed to playing an active role in supporting education, with special emphasis on early childhood reading and support of teachers and classrooms.

**Arts** - Target is committed to increasing the visibility and accessibility of art and cultural experiences to families through sponsorships of programs, exhibits and performances.

**Social Services** - Target supports organizations and programs that provide needed social services in our communities. Through a number of partnerships, we focus on safe families and communities, and addressing basic needs.

**Vital Community Partnerships** - Target also strengthens families and communities through a number of additional community partnerships including Target House at St. Jude's Children's Research Hospital, Target & Blue, a partnership with law enforcement entities to create safer communities, and team member volunteers who donate hundreds of thousands of volunteer hours to their communities each year.

### Education

Target is committed to making a positive difference in our communities by enhancing educational efforts for children and youth across the country. The success of Target and its commitment to education is based upon our partnership with communities: enabling parents, educators and community members to inspire learning in children. Target education programs reach children from birth through their college years, from early childhood reading to support of teachers and classrooms and college scholarships.

#### 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, 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! is the name of Target's initiative to help raise awareness for the importance of reading early in children's lives. This program includes:
  - Ready.Sit.Read! Book Club – Provides families with monthly book recommendations, activities and resources to help children get excited about reading on an on-going basis.
  - Book Festivals - Target sponsors book festivals across the country to engage families in reading by providing live entertainment, costumed characters, and opportunities to meet children's book authors and illustrators.
  - Celebrity Authors - Celebrity authors who are committed to education help deliver our reading message and make reading exciting and aspirational for kids and their families. Authors include Billy Crystal, Julie Andrews and Gloria Estefan. For more information on Ready.Sit.Read! visit [target.com/readysitread](http://target.com/readysitread)
- United Through Reading – A program of the Family Literacy Foundation that connects military families through reading. A deployed parent is videotaped reading a book to a child back home. The recording is mailed to the child, who can then watch it and spend time with mom or dad as often as they wish. Target's support has allowed this program to expand to all branches of the military.

- 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 helps families and communities encourage early literacy skills by providing children with books at each wellness visit through age 5. Target has partnered with ROR to open new sites in cities across the country and bring the ROR message to pediatrician offices throughout the nation.
- Letters About Literature - The Center for the Book in the Library of Congress promotes books, reading, libraries and literacy. For 20 years, The Center for the Book has sponsored Letters About Literature, a national essay contest that invites students to write to an author (past or present) and explain how the author's book inspired them by changing their way of thinking or even their approach to life. In 2003, Target became the proud exclusive retail sponsor of this inspirational writing and reading promotion. For more information, visit [www.loc.gov/letters](http://www.loc.gov/letters)

### 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 - Launched in April 1997, this school fundraising 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 \$170 million to schools nationwide. Cardholders simply designate an eligible K–12 school and Target will donate 1% of their Target Visa® or Target Card® purchases made at Target and Target.com, and 1/2% of Target Visa purchases made anywhere else, to the designated schools. This program is available to any K–12 public, private or charter school that has a 501(c)(3) or 509(a)(1) tax-exempt status. More than 8 million Target cardholders and 110,000 schools participate in the program. Target distributes the accumulated donations in March and September each year. To learn how much a specific school has received in donations from the Take Charge of Education School Fundraising program, go to [target.com/tcoe](http://target.com/tcoe) or call 1-800-316-6142.
- Start Something - Target teamed up with the Tiger Woods Foundation to create Start Something, a character development program offered at no charge to kids ages 8–17. Start Something encourages kids to identify their dreams, find necessary tools to reach their goals and achieve success. Today, more than 3 million kids nationwide are taking part in the program. To learn more, visit [target.com/startsomething](http://target.com/startsomething) or call 1-800-316-6142.
- Teacher Appreciation – The Teacher Appreciation Campaign was designed to allow Target to recognize and thank teachers all year long for the very important and influential role they play in strengthening our communities. We will leverage our scale as a national retailer and show our appreciation for teachers by giving them special product offers online, offering a special Teacher Appreciation Sweepstakes and promoting the Teacher Appreciation Gift Card. A new online Target.com partner, TREND, known nationally as a supplier of teacher products, provides an added bonus to the Teacher Appreciation Strategy.
- 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 national sponsor of the Kids In Need Resource Center program in 1999 with the opening of the Minneapolis Center, and now sponsors five resource centers across the country.
- Education Conferences - The Community Relations and Community Relations Marketing Team will travel to 12 cities throughout 2005-2006 and speak to over 50,000 attendees in the education market to explain our programs that support education. With a wireless laptop and projector, conference participants are able to look up TCOE schools, review all the Target education and teacher initiatives online, and learn more about our education programs.
- PTO Today - In December of 2004, Target launched a national Family Reading Night program in partnership with Parent Teacher Organization Today (PTO Today). PTO Today reaches all K-8 parent groups nationally to help them serve their schools more effectively, run their groups more efficiently and build a better school community. This partnership offers 80,000 schools across the country an opportunity to order a free Family Reading Night Kit for their school.

### Grants and Scholarships

In addition to the millions donated to schools each year through the Take Charge of Education School Fundraising 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. In 2006 Target is providing assistance through scholarships, raising operating funds for colleges and universities and giving students and faculty better access to technology.
- Hispanic Scholarship Fund - The Hispanic Scholarship Fund, the largest Hispanic scholarship-awarding organization in the country, has awarded scholarships totaling nearly \$170 million to more than 73,000 students. Target is providing financial assistance through scholarships to many deserving students in 2006.
- 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 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). Grant applications are available at Target.com and Target stores.

### Arts

The Arts have the power to bring communities together and help all of us see the world from different perspectives. Target's support makes a variety of arts and cultural experiences accessible to children and families. In 2005 Target received the Corporate Citizenship in Arts Award from American for the Arts for helping to create a community where the arts and design flourish.

### Ongoing Events

In order to make the arts accessible to everyone, Target sponsors free access to major museums across the country. Here is a list of the many opportunities we offer throughout the week:

- o Chicago Children's Museum – Target Free First Mondays
- o Museum of Contemporary Art (Chicago) – Target Free Tuesdays
- o Asian Art Museum (San Francisco) – Target Free Tuesdays
- o Every day: Los Angeles County Museum of Art – Free After Five
- o Walker Art Center (Minneapolis) – Target Free Thursday Nights
- o Museum of Modern Art (New York) – Target Free Friday Nights
- o Brooklyn Museum (New York) – Target Free First Saturdays
- o California African American Museum (Los Angeles) – Target Sundays

### Local Grants

Target awards local arts grants to schools and nonprofit arts organizations across the country to help make the arts more accessible to families and students. Examples include school touring programs, student field trips to theaters, symphonies and museums, and artistic residencies or workshops in schools. Grant recipients are determined by each Target store across 47 states.

### National Touring Programs

Target sponsors several touring exhibition projects, helping to bring visual arts to communities across the country. These include:

- *"Chicano"* – a groundbreaking exhibition that recognizes the many facets of Chicano life. The exhibition, which is on a five year, nationwide tour, showcases works by more than 26 artists from actor Cheech Marin's personal art collection and incorporates a family-friendly, multi-media display highlighting Chicano artistic, scholastic and cultural achievements and influences on America.
- *"Illuminating the Word"* – an exhibition of the first handwritten, illuminated Bible of the modern era, commissioned by St. John's University and Abbey in Collegeville, MN. The exhibition features 100 pages from this contemporary masterpiece of medieval craftsmanship and calligraphy and is a rare expression of artistic vitality.
- *"Gardens & Glass"* – Target is also sponsoring the work of Dale Chihuly at botanical gardens throughout the country. The installations create a collision of nature and art as Chihuly's

magnificent glass forms capture the natural beauty of the gardens they inhabit.

- *"Russel Wright: Living with Good Design"* – Russel Wright, an innovative modernist, was America's first celebrity designer. This exhibit highlights Wright's designs for housewares, furniture, appliances, fabrics and landscape, as well as for his home in upstate New York. It brings to life Wright's belief that "good design is for everyone."
- *"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. For the 2006-2007 school year, Target will sponsor two of Theatrework's nationally touring productions: "Freedom Train" and "If You Give a Mouse a Cookie & Other Story Books." Each production will tour to more than 45 venues across the country for viewing by more than 125,000 students.

### Target Harmony in the Parks

The Detroit Symphony Orchestra (DSO) has been one of the leading cultural institutions in the city of Detroit for nearly a century. Target brings the music of the DSO out to area Metroparks and surrounding communities each summer through free, outdoor, family-oriented concerts.

You're invited  
to make a picnic.  
to hear music.  
to make memories.



to an evening of harmony.

**Target Harmony in the Parks**  
Detroit Symphony Orchestra  
Thomas Wilkins, conductor  
FREE concerts begin at 8 pm  
at area Metroparks  
Thursday, July 13—Orin Duck  
Friday, July 19—Marc Beach  
Saturday, July 26—Wanganen



Giving over \$2 million to the community every week. Making a real difference in Detroit every day.

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Real beauty.  
Real spirit.  
Real culture.



Real treasure.

### Asian Art Museum - Target Tuesdays

The Asian Art Museum of San Francisco is one of the largest museums in the Western world devoted exclusively to Asian art. Target is making more than 15,000 art treasures accessible to communities through Target Tuesdays where admission to the museum is free on the first Tuesday of every month.

Open the door and feel the presence of over 6,000 years of cultural achievement. See every Asian culture across the world honored here through colorful, imaginative works—masks, sculpture and more. Elaborate art forms for you to enjoy free, every Target Tuesday. Because treasure like this is for every person and community to have the opportunity to celebrate.



Giving over \$2 million to communities every week. Making a real difference in the Bay Area every day.

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## Brooklyn Museum of Art-Target First Saturdays

Housed in a 560,000 square-foot Beaux Arts building, the Brooklyn Museum is one of the oldest art museums in the country and is world-renowned for its collection – ranging from ancient Egyptian masterpieces to contemporary art – representing a wide range of cultures. Target First Saturdays provides thousands of visitors the opportunity to enjoy free programs of art and entertainment each month from 5-11 pm.

"I made a necklace all by myself. It has lots of pretty beads on it."

—Dounia  
Age 6, visitor to the Brooklyn Museum—New York, NY



When 6-year-old Dounia went to the museum, she thought she'd see paintings. But on Target First Saturdays at the Brooklyn Museum, she not only discovered paintings and sculptures, she also got to create her own. Dounia made a necklace and the museum's staff helped her make it. A small necklace, but it's a big step for Dounia and her family. They're all excited to see her necklace on display at the museum.

Target.com/museum

Giving over \$2 million to communities every week.  
Making a real difference in New York every day.



Share an afternoon with the most important people in the world.

Enjoy an eye-catching day at the theater with your kids. Watch as a classic story springs to life on stage in a fresh, new way. Filled with laughter, tears, and joy. Then come home with an afternoon of memories.

### Target Time Family Series

Dallas Children's Theater

All tickets \$15 each

Saturdays at 1:30 PM (unless noted)

February 5, John & Jane and a Little Monkey (Musical)

February 12, The Wizard of Oz (Musical)

March 11, The Wizard of Oz (Musical)

March 18, The Wizard of Oz (Musical)

March 25, The Wizard of Oz (Musical)

April 1, The Wizard of Oz (Musical)

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October 14, The Wizard of Oz (Musical)

October 21, The Wizard of Oz (Musical)

October 28, The Wizard of Oz (Musical)

November 4, The Wizard of Oz (Musical)

November 11, The Wizard of Oz (Musical)

November 18, The Wizard of Oz (Musical)

November 25, The Wizard of Oz (Musical)

December 2, The Wizard of Oz (Musical)

December 9, The Wizard of Oz (Musical)

December 16, The Wizard of Oz (Musical)

December 23, The Wizard of Oz (Musical)

December 30, The Wizard of Oz (Musical)

January 6, The Wizard of Oz (Musical)

January 13, The Wizard of Oz (Musical)

January 20, The Wizard of Oz (Musical)

January 27, The Wizard of Oz (Musical)

February 3, The Wizard of Oz (Musical)

February 10, The Wizard of Oz (Musical)

February 17, The Wizard of Oz (Musical)

February 24, The Wizard of Oz (Musical)

February 29, The Wizard of Oz (Musical)

March 6, The Wizard of Oz (Musical)

March 13, The Wizard of Oz (Musical)

March 20, The Wizard of Oz (Musical)

March 27, The Wizard of Oz (Musical)

April 3, The Wizard of Oz (Musical)

April 10, The Wizard of Oz (Musical)

April 17, The Wizard of Oz (Musical)

April 24, The Wizard of Oz (Musical)

April 30, The Wizard of Oz (Musical)

May 7, The Wizard of Oz (Musical)

May 14, The Wizard of Oz (Musical)

May 21, The Wizard of Oz (Musical)

May 28, The Wizard of Oz (Musical)

June 4, The Wizard of Oz (



- Artspace - The nation's leading nonprofit real estate developer for the arts, Artspace Projects' mission is to create, foster and preserve affordable space for artists and arts organizations. By creating this space, Artspace supports the continued professional growth of artists and enhances the cultural and economic vitality of the surrounding community.
- Dance/USA - Dance/USA's purpose is to advance the art form of dance. As the national service organization for professional dance, Dance/USA works with its membership of professional dance companies, artists, presenters, service organizations, and individuals to achieve its mission.
- Meet the Composer - Meet the Composer is dedicated to supporting living composers through nationally recognized programs that offer composers direct financial assistance to pursue their work and connect with audiences.
- Opera America - Opera America is the national service organization for opera, dedicated to supporting the creation, presentation and enjoyment of opera in the United States and through its partners, around the globe.
- Poets & Writers - Poets & Writers' mission is to foster the professional development of poets and writers, to promote communication throughout the U.S. literary community, and to help create an environment in which literature can be appreciated by the widest possible public.
- Sphinx Organization - Sphinx Organization's mission is to enhance K-12 music education, as well as to increase the participation of African Americans and Latinos in music schools as professional musicians and as classical music audience members.
- Theater Communications Group - Theater Communications Group (TCG) is the national network for not-for-profit theaters in America, with over 435 members theaters in 47 states and the District of Columbia. TCG's mission is to strengthen, nurture and promote the professional not-for-profit theater.

### Social Services




Target supports organizations and programs that provide needed social services in our communities. Through a number of partnerships, we focus on safe families and communities, and addressing basic needs.

Family Violence Prevention Grants - Target supports local programs that help prevent family violence and treat those affected in our communities. Examples of programs Target has supported include parenting classes, family counseling, support groups and abuse shelters. Local grant recipients are determined by each local target store; applications are available at Target stores or at Target.com.

National Domestic Violence Hotline - Target supports the National Domestic Violence Hotline to further the goal of preventing family violence. The hotline is the only one of its kind in providing the source of hope for battered women and children across America and receives over 16,000 calls each month. In 2006, Target is supporting the Hotline's 10-year anniversary.

Prevent Child Abuse America - Since 1999, Target has supported Prevent Child Abuse America nationally and through its state chapters. Prevent Child Abuse America builds awareness, provides education and leadership to promote and implement child abuse prevention efforts that strengthen families and engage communities nationwide.

## Law Enforcement and Federal Government Partnerships






|  |  |
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|   | <p>Our commitment to community extends from the social service partnerships above to partnerships with law enforcement to enhance their efforts to create safer communities. Through an effort called Target &amp; Blue, Target shares technology, expertise and resources with law enforcement in many different ways, including:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• Forensic Services – Two Target labs focus on video and computer forensics and latent fingerprint analysis related to ongoing cases, and support law enforcement in need of forensic services for violent felonies.</li> <li>• 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.</li> <li>• 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.</li> <li>• Target also contributes to law enforcement associations which promote safeness in our communities and abroad. These sponsorships include: <ul style="list-style-type: none"> <li>○ International Association of Chiefs of Police (IACP) – An organization representing senior law enforcement executives from around the world which provides education and support to local community protectors.</li> <li>○ Police Executive Research Forum (PERF) – A law enforcement think tank representing the nation's progressive police agencies which supports innovative policing strategies intended to create safer communities</li> </ul> </li> </ul> |
| <br><br> | <p>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.</p> <p>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.</p>   |

### National Night Out

Target is again proud to partner with the National Association of Town Watch to be the exclusive national sponsor of the 23rd Annual National Night Out (NNO) event in 2006. Each year, more than 34 million people in over 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.




## Vital Community Partnerships

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|---|--|
|    | <p>Target has supported the United Way since opening its first store in 1962. In 2005, Target Corporation and individual team members invested in their communities by donating more than \$12 million to local United Ways across the country.</p>  |
|    | <p>The American Red Cross reaches out to help whenever disaster strikes, whether it's an earthquake that affects thousands or a single-family house fire. Target has an ongoing relationship with the Red Cross, focused on disaster preparedness and relief. Target and the Red Cross have created a co-branded preparedness kit which sells in Target stores, with \$10 from each kit going to the Red Cross. In addition, Target donates directly to the Red Cross in response to immediate needs in communities across the country.</p>  |
|    | <p>St. Jude Children's Research Hospital, located in Memphis, TN, 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 <u>Target House</u>.</p>   |
|    | <p>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.</p> <p>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.</p>  |
|  | <p>There are several common areas with a warm, friendly, home-like atmosphere where families can come together to talk, share and work together through each triumph or setback:</p> <ul style="list-style-type: none"> <li>• Tiger Woods sponsored the library through his Tiger Woods Foundation</li> <li>• Amy Grant furnished a music room</li> <li>• Ekaterina Gordeeva dedicated a tranquil garden patio to the memory of her late husband and skating partner, Sergei Grinkov</li> <li>• The Tiger Woods Pavilion provides a focal point for special events</li> <li>• A fitness center is sponsored by Olympic medalist Scott Hamilton</li> <li>• The Scott Hamilton Arts &amp; Crafts Room offers a creative outlet</li> <li>• The Neighborhood is a courtyard, fashioned after a town square</li> <li>• A professional day spa and meditation room strengthen the body and soul</li> <li>• A family gathering room, an activity room and a living room also help provide a respite to families.</li> </ul> <p>Target House is just one more example of our ongoing effort to help make the world a better place for children and families.</p> |

## Volunteerism

At Target, being involved in the community means much more than giving back over \$2 million every week to local and national nonprofit organizations.

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|--|--|
|  | <p>For Target team members, being involved means lending a helping hand with everything from cleaning up neighborhoods and waterways, to mentoring students at a local school, rocking babies at a crisis nursery or delivering meals to homebound seniors.</p> <p>More than 70,000 Target team members, retirees, family and friends got involved in their communities last year by giving more than 315,000 volunteer hours to local nonprofits that focus on education, children's health and welfare, neighborhood improvement and disaster relief.</p> <p>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 NEA's national Read Across America event by reading to children in stores and at neighborhood schools. Teams hosted "reading kiosks" in our stores, then went out and volunteered to read in local schools throughout the school year.</p> <p>While we support and offer volunteer opportunities to our team members, they do not get paid time off to volunteer.</p> |
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## 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 posted a press release on their Web site on December 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), which has been based in Minneapolis, Minnesota 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.
- American Red Cross Armed Forces Emergency Services
- 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 Veterans of Foreign Wars (VFW).

Reservist Benefits - Target Corporation is proud to count many veterans and military reservists among its more than 300,000 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/employers/outstandingEmployers.asp](http://www.esgr.org/employers/outstandingEmployers.asp). 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 approximately 300,000 people, the majority of whom are in the continental United States. Our annual net square footage growth of 8 to 10 percent translates into approximately 100 new stores each year and results in a net annual increase in employment of 10% 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 2005 (the most relevant portions of which follow).

Target Corporation percentage of all employees in the following job categories:

|                         | <u>Female</u> | <u>Minority</u> |
|-------------------------|---------------|-----------------|
| 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 Target's Board of Directors. Additional information about the composition of our Board is available in our proxy statement.

Discrimination based upon race, color, religion, sex, age, national origin, disability, sexual orientation or other characteristics protected by law is not tolerated in our work place. 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:

- **Minority Recruitment** - Employees 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.
- 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 addition, Target Corporation has the Executive In-Training Program, where a priority is placed on sourcing and staffing positions with diversity 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 employees 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 work place and to build skills necessary to promote that diversity and the benefits it offers. All new Target team members (employees) 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,
  - Monthly store huddles on diversity topics to enhance understanding and support of the importance of diversity, 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 help provide direction, feedback and guidance on the corporation's diversity efforts, particularly as it relates to the five focus areas:
  - Minority & Women Business Development
  - Multicultural Marketing & Merchandising
  - Recruitment and Retention
  - Awareness and Communication
  - Measurement
- **Diversity Business Councils** - Target sponsors a variety of Diversity Business Councils that provide a forum for individuals to grow and develop and all have specific goals around

recruitment and retention, mentoring, training and coaching. Currently, Target has four diversity business councils that are open to all team members:

African American Business Council  
Asian American Business Council  
GLBT Business Council  
Hispanic Business Council

- Advertising/Marketing - Target Corporation's principal operating strategy is to provide exceptional value to our guests through upscale discount stores and on-line shopping. Our advertising messages strive to create an emotional connection with various market segments by offering them real and relevant content across multiple platforms.

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

For example, to help our guests celebrate Black History Month this year, Target developed the "Dream in Color" campaign, which included end caps in stores featuring films, books and music by African American artists. The campaign also continued online at the Black History month website, where profiles of inspirational African Americans throughout history were featured. Target also created an exclusive gospel compilation CD, with \$2 being donated to the United Negro College Fund for every CD sold.

In February 2006 Target presented the Los Angeles premiere screening of "The Seat Filler." Target forged a winning partnership with The Momentum Experience Incorporated, a company that specializes in the acquisition and distribution of urban feature films. The event brought out top Hollywood celebrities including Jada Pinkett-Smith, Chris Rock and Kelly Rowland of Destiny's Child.

Target also continues to strengthen our brand among our Hispanic guests. Broadcasts ads were presented on television networks such as Telemundo and Univision. In addition, print fashion ads appeared in Latina and People in Espanol magazines.

In 2006, Target will continue to develop marketing campaigns to celebrate Black Music Month and Hispanic Heritage month.

- 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 specific 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 more than 1,400 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,
  - the Consortium For Graduate Study in Management (CGSM),
  - Monster Diversity Leadership Program (Monster DLP),
  - National Association of Asian American Professionals (NAAAP),
  - the National Black MBA Association Conference (NBMBA),
  - the National Society of Hispanic MBAs (NSHMBA),
  - Hispanic Alliance for Career Enhancement (HACE),
  - National Hispanic Business Association (NHBA),
  - Black Data Processing Association (BDPA),
  - the National Minority Supplier Development Council (NMSDC),
  - the Women's Business Enterprise National Council (WBENC),
  - Society for Women in Engineering (SWE),
  - the Urban League,
  - the United Negro College Fund (UNCF), and
  - the Hispanic College Fund (HCF).

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 and different markets. We are committed to promoting and reinforcing diversity throughout our company as we position our business for continued success throughout the 21st century.

### 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 their first 90 days in 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 both Headquarters and the Stores/DCs, team members have access to a wide curriculum of courses from which to choose (over 50 topics). We offer a program that focuses 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 Distribution Center, Stores or Offices takes precedent 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 is attached in Appendix B.



## Benefits and Compensation

Target pays competitive wages to its team members and we pride ourselves on having a Total Compensation 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 pre-set goals. Team members and their supervisors determine annual goals based on position responsibility and objectives. In addition, the Corporation 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.

The Company provides many benefits to its team members including:

- The Company offers a 401(k) program for all eligible team members in which it matches up to 5 percent of a team member's contribution on a dollar-for-dollar basis with Target shares.
- Target offers a pension plan to all team members. Team members hired since 2002 have an account-based pension, where a percentage of their eligible pay, plus interest, is deposited into a pension plan account. Team members hired before 2002 were provided a traditional pension based on their final average pay or a combination of a traditional and an account-based pension. Target pays the full cost of the pension; team members pay nothing.
- The Company offers 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.
- In addition to the savings these opportunities provide, the company offers advancement and opportunity for upward mobility to all team members based on individual performance.
- Target offers a wide range of health and wellness 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 encompasses physical, financial and emotional well-being and includes medical, dental, life insurance, disability, adoption assistance, an employee assistance program and legal plan services.
- Target provides ongoing team member education and communication about health improvement programs, health coaches and other resources to help team members manage their health and their health care costs throughout the year.
- Target offers 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.
- Target also offers home loans to team members through two sources: Wells Fargo, and PHH Mortgage. In addition, the Company 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.

## 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 you 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 Target's 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 website <http://www.lwvmn.org/>.

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

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 of use to the public sector in an effort to bring 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 TargetCitizens 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, 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, Senior 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 Target's 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 in the state within 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 "adults 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 that clearly describes the ESRB rating system.
- A brochure in the entertainment area that explains the ESRB rating system.
- Public service videos featuring celebrities that 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 on encouraging 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.

### Pseudo Ephedrine

- In 2005, Target became the first national retailer to voluntarily decide to place all cough, cold and allergy products containing pseudo ephedrine behind the pharmacy counter. In stores where we do not have a pharmacy, products containing pseudo ephedrine will not be sold.
- Pseudo ephedrine 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 move will cost us sales, we believe this is the right thing to do to help curb the growing production and distribution of methamphetamine.
- Target's policy enforces federal limitations by restricting PSE sales, and follows more restrictive state and local law where applicable.
- Target has implemented a new 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 which 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 & 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 (Appendix C) that 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 nondiscrimination principles and limit work hours,
- pay fair wages,
- renounce forced or other compulsory labor and abstain from its use, and
- 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 – for 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 hardlines items (e.g. furniture, housewares) as well as vendors that manufacture softlines (e.g. apparel). The Global Compliance team also works with other departments within Target -- such as Target Sourcing Services/AMC, and Quality Assurance -- to increase awareness among our vendors and their factories of Target's global compliance program.

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

1. Target's Standards of Vendor Engagement
2. Target's Business Requirements (Vendor Conduct Guide)
3. U.S. Customs Regulations
4. Labor Laws of the Country of Origin

The primary tools we use include:

1. Standards of Vendor Engagement (available in 19 languages)
2. Global Compliance Registration
3. 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 on-line 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 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, US 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:

1. 100% Unannounced
2. Random
3. Mandatory (denied audits carry penalties ranging from payment of audit expenses to termination of vendor relationship)

Full compliance audits include 6 different modules:

1. Plant Tour
2. Employee Interviews (conducted privately and in the employees' language)
3. Management Interviews
4. Records and Wage Review
5. Country of Origin Review
6. 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 law as well as 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 forty 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.

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.

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 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, Target Sourcing 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.

To provide additional information to the vendors and their factories about our expectations, Target has developed a Vendor Guidebook that is accessible on-line and 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 applicable laws – including the Fair Labor Standards Act of 1938, a law that governs how employers pay and treat their employees. Our Conditions of Contract also requires that the companies our vendors do business with will be in compliance with the law. In non-U.S. markets we establish similar basic minimum requirements. 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. For non-U.S. vendors, Target conducts vendor education classes called "Introduction to Vendor Partnerships for Imports", which includes a review of the company's Standards of Engagement, and verification requirements.

### Vendor Selection and Quality Assurance

Target has implemented a formal system to select and register both U.S. and international vendors with whom we do business. This program includes written verification that owned brand vendor factories meet baseline requirements of working conditions, FLSA, U.S. Customs Regulations, or other local applicable laws. Additionally, for each Target owned-brand order produced, a short audit of the factory is completed. This audit includes an inspection of Target quality requirements, and more importantly, verification that the factory meets all required labor standards and conditions.

Currently, to sell any owned brand goods to Target, a vendor must meet the requirements of Target's Global compliance program, which includes completion of training, qualification by sourcing experts and compliance with other rigorous requirements – including labor law. The first step of this vendor approval process requires that our owned brand vendors acknowledge that they understand their responsibility for compliance with Department of Labor requirements. In addition, Target requires its vendors to assess their contractors' factories through plant evaluation, including working conditions and labor issues. As a result of these quality assurance efforts, Target has greatly reduced the number of owned-brand vendors we use, ensuring that we are working with only the highest quality providers.

### Global Sourcing

Target sources merchandise from numerous countries throughout the world. This activity is coordinated by Target Sourcing Services/Associated Merchandising Corp (TSS/AMC), a subsidiary of Target Corporation. Most of our owned brand products --- hardlines and softlines – are sourced through TSS/AMC, which is a leading global sourcing organization with offices in more than 40 countries worldwide. TSS/AMC employs more than 2,200 team members and has supplied Target with high-quality merchandise for more than 50 years. About a quarter 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/AMC and other buying agents are held to and require the same standards as Target when doing business around the world. TSS/AMC agents that evaluate factories for quality are expanding their review to include compliance and transshipment issues. Vendors and their factories that engage in business with TSS/AMC must comply with Target's high standards.

Since 1992, Target has required its non-U.S. direct vendors to state that the goods produced are not made by child or forced labor. This legal verification is required as a condition of receipt and payment of merchandise through legal letter of credit stipulations.



## Environmental Responsibility

Decades ago, Target was one of the first large retailers to commit to a philosophy and practice of “Reduce, Re-Use, and Recycle”. 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 we understand that our growth could present challenges to limited resources.

### Environmental Management Program

Target's 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 Target's environmental management program is to develop systematic solutions to manage the environmental aspects of our business. 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, as well as 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.

A Notice of Violation (NOV) is a written claim from an agency indicating non-compliance with a regulation and Target works hard to minimize the number of NOVs we receive. In recent years, the NOVs issued to Target were primarily administrative or paperwork errors. To improve upon this record, we have instituted new processes and systems that help us more accurately track permit requirements and renewal time frames.

### Sustainable Site Development

At our current rate of growth, Target builds more than 100 new stores a year. 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, including demands on environmental resources. Target's 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 and considerate of natural resources.

### Property Acquisition-Environmental Due Diligence

Target performs environmental due diligence on all properties sited for new stores, whether leased or purchased. Using the 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.

### Brownfield Redevelopment

With Target's entry into densely-populated major metropolitan areas, our expansion strategy now includes redeveloping environmentally impaired properties, referred to as "Brownfields." Site conditions may range from minor spill sites to former Superfund sites. Redevelopment of these properties is guided by a comprehensive understanding of site 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. Over one-third of Target's new store openings in 2005 were either Brownfield redevelopment sites or reflected the redevelopment and re-use of existing buildings. Recent examples include:

- The redevelopment of an industrial property near downtown Atlanta which opened as a Target Store in March 2005. Target utilized an industrial architectural theme for the new store.
- A redeveloped landfill site in Allen Park, Michigan which opened as a Target store in October 2005. This store was built following sustainable building standards set by the U.S. Green Building Council.
- A former EPA Superfund and MPCA Voluntary Investigation and Cleanup Program site in Andover, Minnesota which opened as a Target store in March 2005, and
- A former construction and debris landfill in Acworth Georgia which is scheduled to open as a SuperTarget store in July 2006.

### Site Development

Developing new store locations creates opportunities for Target to explore innovative site design features. Many of these new site design techniques have focused on controlling urban storm water runoff and conserving energy (refer to the "Energy Conservation" section). Target uses these opportunities to gather first-hand knowledge of technologies and practices that may someday become standard "best practices" for our storm water management program, or a component of store design. As described below, our Developers Guide provides written specifications and site criteria for low impact assessments.

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 are commonly made from old cars and Target's prototype store design allows for the use of concrete containing fly ash and recycled/reground material. Our stores are designed for a 50+ year life cycle with scheduled maintenance. Planned renovation during a building's life cycle maintains and enhances the value of our financial investment and reinforces our brand. Our prototype design specifies the use of:

- Low VOC (volatile organic compounds) 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 indigenous to the site 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, and
- Outdoor lighting fixtures that are dark sky friendly and have full cutoff.

Roofing - In addition to the above specifications, our prototype roof membranes are made from white PVC designed to last 20-30 years. This 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 PVC roofs provide other environmental benefits. One benefit is that this roof reflects the sun's heat, helping to reduce the heat island effect of the store. The other benefit is water quality. Rainwater runoff from a white roof membrane is considered to be "clean" from a pollutant perspective compared to gravel and tar roofs where rainwater runoff may contain oils from the tar.

We realize that some characteristics of the manufacturing process of PVC can be harmful to the environment, so we have explored alternative materials such as Thermoplastic Poly Olefin (TPO). TPO roofs were installed on five of our stores, and due to poor performance were replaced within five years. Compared to TPO, we believe that PVC roofing is more sustainable because it lasts longer, reducing the amount of unnecessary waste and disposal expense from re-roofing. We are, however, staying informed of advancements in TPO roofing technology, and will consider this material when it meets our durability criteria. At this time, neither PVC nor TPO roofing is recyclable because of the interwoven scrim designed to prevent tears.

Low Impact Development - Our Developer Guide also includes site criteria for low impact assessments. Target specifies that the developer or contractor identify up to 10 LEED points from Sustainable Site and Water Efficiency categories as defined by the United States Green Building Council. Other innovative designs in some metropolitan markets have included bio-swales in lieu of catch basins and underground piping to manage storm water runoff from our parking lots, as well as rain gardens to trap storm water and provide a natural habitat for wildlife. We employed the use of this strategy for the entire parking field at Target Financial Services in Minnesota and at the following Target stores:

- Woodbridge, MD which opened in March 1996
- Lino Lakes, MN which opened in July 2002
- Algonquin, IL which opened in July 2003
- Charlottesville, VA which opened in July 2005
- Roseville, MN which re-opened as a new store in October 2005, and
- Marysville, WA which is scheduled to open in October 2006.

We are using these locations to gather data to understand the benefits and long-term feasibility of this technology as a practical solution for storm water management.



*One of 16 raingardens (seepage islands) installed throughout the parking lot at Target Financial Services to capture and infiltrate stormwater runoff.*

#### LEED

Target has been a member of the US 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, Illinois market (McKinley Park and Peterson) and one in Allen Park, Michigan, which have been registered for LEED review and certification. Other possible projects are being considered.



*Rendering of the Allen Park, Michigan Target store, which opened in October 2005. Rainwater is captured using a rooftop cistern (shown on the right).*

Sustainable-design features of our Allen Park, MI store include:

- Cisterns that capture rainwater to irrigate the store's landscaping and flush its sewer system.
- 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.
- Skylights that supplement interior lighting when conditions are optimal.
- Monitoring of 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.
- Bike racks near entrance and public transportation within walking distance.

For years, Target has utilized many sustainable design features in our prototype store, and we will continue to evaluate new technologies that benefit the environment and our bottom line.



*"Before" and "After" photos of McKinley Park (Chicago, IL) as a brownfield site and converted to a Target Store.*

### Greenhouse Gas Emissions

While Target is not a manufacturer emitting point source air pollutants, like all other companies and households, we do consume energy. We recognize that climate change could adversely impact Target 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 from day to day. We are committed to doing our part to reduce carbon dioxide (CO<sub>2</sub>) emissions.

Climate Leaders - To demonstrate this commitment, Target joined the United States Environmental Protection Agency's (USEPA) voluntary Climate Leaders program. This program challenges participating Climate Leaders to set a corporate-wide greenhouse gas (GHG) emissions reduction goal.

2005 total emissions from Target's facilities were 2,374,600 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. The calculation procedures used are specified by Climate Leaders, and are also consistent with the GHG Protocol. This data has been reviewed for accuracy by USEPA's technical assistance contractor as part of Target's participation in Climate Leaders. With our new store growth and expansion of product assortments, our dynamic environment makes it challenging to reduce greenhouse gas emissions. However, we remain committed to using energy in an efficient manner.

### Energy Efficiency

In 2005, Target 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 2006 as we look for opportunities to utilize the latest in energy efficient technology.

### Energy Conservation

Target puts tremendous focus on energy efficient design and operation. For example, in 1992 Target was among the first major retailers to incorporate energy reduction by introducing T8 lamps and electronic ballasts into our new stores. Between 1994 and 1998 Target retrofitted more than 250 stores with this energy savings technology.

Target also uses an integrated energy management system to control lighting, refrigeration equipment, heating and cooling equipment, and exhaust fans in all stores. Our energy management system is centralized and controlled at Target Headquarters, allowing us to implement company-wide energy policies and to trouble-shoot 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 provided energy efficient defrost cycles.

In 1995 Target partnered with USEPA on its Energy Star Program, a program designed to encourage energy conservation in facilities and product design. This project tested a number of different concepts such as the use of skylights to supplement interior lighting, occupancy sensors to control lighting, low-power lighting on the sales floor, and state-of-the-art air conditioning enhancements. We integrated many of these concepts into our stores' prototype design to minimize power usage. For example, in 1996, Target installed motion sensors in all stockrooms and offices, reducing energy demand from lighting by over 80% in those areas. The following year, they were incorporated into our store prototype design.

Green Energy Use – Part of Target's energy management program involves the purchase, when economically viable, of "green" energy to reduce our dependence on other fuel sources such as natural gas or fuel oil. For instance, we are purchasing green energy to supplement demand in the Texas and New Mexico markets. In New Mexico, 5% of our energy needs comes from renewable sources such as wind power. In Texas, "green tags" (the monetary value assessed to a green energy source based on perceived environmental benefits) are used to offset 25% of our power needs in the Dallas area and 10% in the Houston area.

A partnership with Oklahoma Gas & Electric provides the maximum amount of wind power-generated electricity to power our Oklahoma stores. This renewable resource saves thousands of dollars annually, and also helps to reduce greenhouse gas emissions from our operations.

In the State of California, we have negotiated a multi-year energy supply contract with Minnesota Methane that begins in July, 2006. Energy will come 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 2006-2009.

In 2003, three Target stores in Los Angeles participated in a rebate program, sponsored by the Los Angeles Department of Water and Power and Southern California Gas Company that promoted the installation of solar panels known as photovoltaic cells. This program allowed Target to feasibly install approximately 7,500 solar panels covering approximately 110,600 square feet of available roof area. The solar panels generate about 20 percent of the three stores' annual electrical energy requirements. During peak periods, solar energy from these panels provides up to 50 percent of a store's energy need.





*Solar roof panels for harnessing the sun's energy at a Los Angeles Target store*

From this project, Target gained valuable insight into the practical application of solar power; the sponsoring utility companies experience reduced energy demand; and the environment is spared undesirable air emissions from use of fossil fuels. As a result, Target will be adding solar panels to 6 stores in the San Francisco Bay area in the next few years in conjunction with the California Energy Commission. Each store is planned to have 2,000 solar panels, and the combined annual savings of this effort is 189,700 barrels of oil and 45 million pounds of GHG emissions (USEPA Standard Energy Mix for California).

In 2005, Target participated in the Southern California Edison Energy Conservation Incentive program. Our architects and engineers designed a roof for our Fontana North store that uses hundreds of Solatube skylights to harness solar energy by directing sunlight through a rooftop skylight and diffusing it into an acrylic lens located in the store's ceiling.



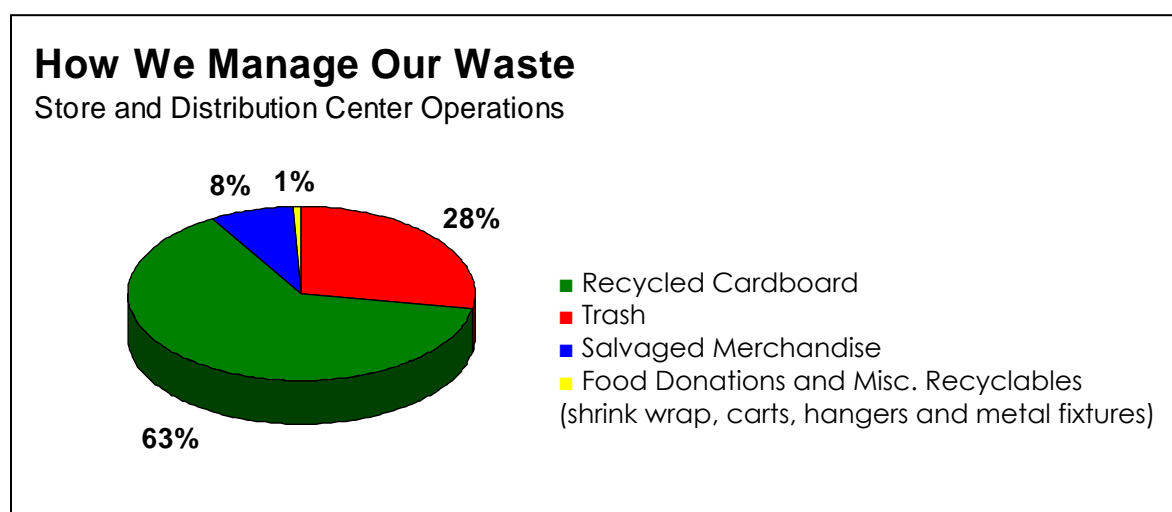
*Solar tubes direct sunlight energy into the Fontana North (California) Target store.*

*During June (the longest sunlight period), solar energy will provide as much as 100 percent of our sales floor lighting needs for 6 hours a day. In December (the shortest sunlight period), solar energy will provide as much as 75 percent of the sales floor lighting needs for 4 hours a day.*

### Waste Reduction and Management

Waste reduction is at the core of Target's environmental commitment. Our solid waste program is centrally managed from our headquarters in Minneapolis, and 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 allows 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 more than 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 markets for reuse of unsaleable merchandise and to expand our recycling program.



*Reflects waste from store operations and distribution center operations*

### Recycling

By recycling and keeping materials out of landfills and incinerators, Target is not only doing what is right for the environment—we are giving value to materials that used to be considered trash and benefiting our bottom line.

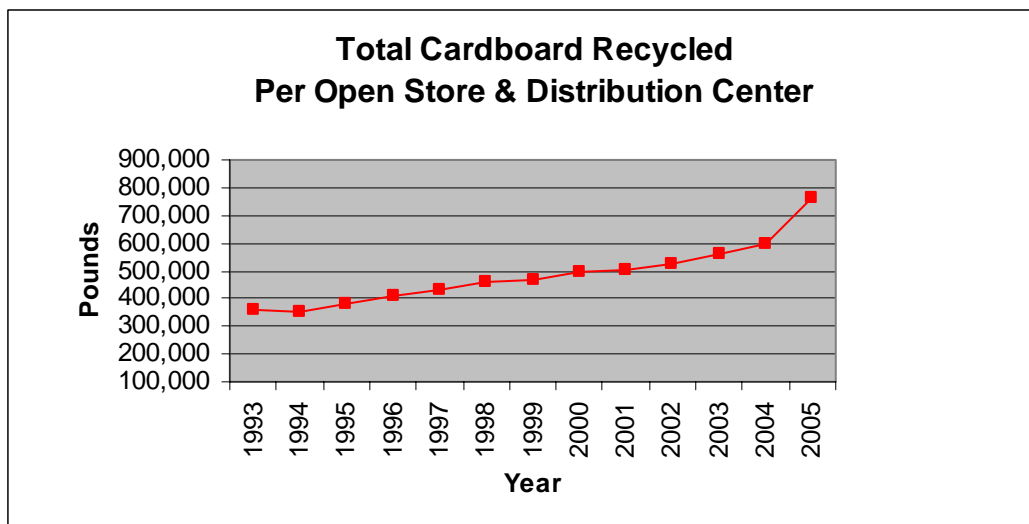
Garment Hangers—Target actively manages its supply of plastic garment hangers by reusing them. Under this program, hangers are collected at checkout as garments are purchased and returned to our recycling vendor to be cleaned and inspected. They are then shipped to clothing vendors who use them for new garments. Each hanger is re-circulated through our supply chain an average of three to five times. This program has eliminated the use of bags, tissue and pins to ship garments, the need for Target to buy millions of new hangers each year, and improved our team members' efficiency in stocking the sales floor because clothing arrives ready to set.

In 2005, Target's hanger reuse rate was 92 percent, which kept 376 million hangers out of the landfills. Once our plastic hangers have exceeded their useful life, they are ground and re-manufactured into post-consumer goods, like flower pots and plastic silverware. Last year, Target recycled 2.3 million pounds of plastic from used hangers. Our vendor also started recycling the metal hooks on the hangers, which totaled 260,000 pounds in 2005. These hooks are sold as scrap metal and made into a variety of products. To our knowledge, Target is the only national retailer with a hanger reuse program.

Corrugated Cardboard – Since the early 1990s, Target has implemented initiatives to encourage both our stores and our distribution centers to recycle cardboard, resulting in a dramatic increase – more than 100 percent – in tons of recycled cardboard over the past decade. In 2005 Target stores and distribution centers recycled over a billion pounds of cardboard. And as in prior years, Target's cardboard recycling revenue outpaced the amount paid in trash expenses.

To sustain our steady increase in cardboard recycling quantities at the store level, Target initiated a Six Sigma project in 2004 to identify factors influencing recycling rates. Results of this project revealed additional opportunities to recover more corrugated cardboard by improving best practices, training and performance reporting. In 2005, improvements were made to the trailer unloading process to make it easier for stores to recycle more cardboard. In addition, a recycling contest was held to re-educate team members about cardboard recycling with some friendly competition. The contest, along with improvements made to the trailer unloading process, increased recycling by 35% for the first six months of the calendar year.

During this same period, Target also implemented a backhaul process for consolidating cardboard bales from Target stores at the distribution centers (DC). Under the new collection system, two to four times a week Target stores load cardboard bales onto trailers which would otherwise return to a DC empty. The bales are delivered to the DC and consolidated into full trailer loads. This approach has resulted in less operational expense for our recyclers as well as incremental revenue per ton of cardboard for Target. By end of 2005, approximately 60% of Target stores were backhauling their cardboard bales to our distribution centers, producing incremental revenue of 16 % in 2005. This program has also increased the stores' level of service, so stores hold fewer bales between pickups.

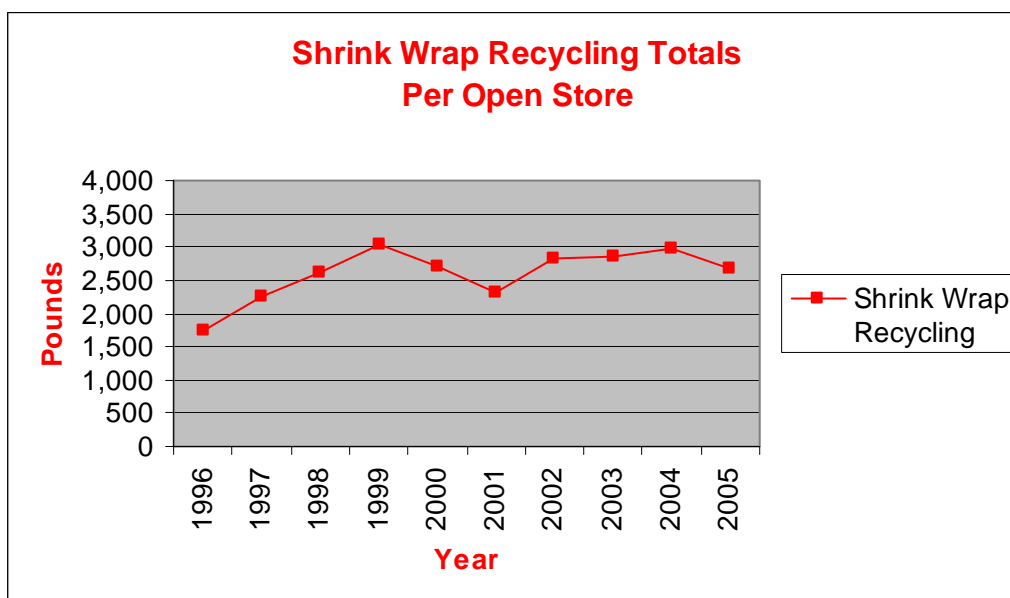


Electronics - In January 2005, Target Environmental Services developed a program for recycling obsolete electronics from product returns at all Target Stores, and from company equipment used at Distribution Centers and Headquarter locations. Through a vendor, Target recycles our electronic equipment into its component parts, including the regeneration of Cathode Ray Tubes (CRT) into new CRT glass. This process referred to as "Glass to Glass Recycling" is the preferred method of recycling by State and Federal regulatory agencies. The recycling process utilizes industry proven, time tested physical separation processes that result in the most efficient and consistent separation of electronic components into glass, metals, and plastics. In 2005, Target recycled 932,200 pounds of obsolete electronic equipment.

Shrink Wrap – Shrink wrap is the plastic material wrapped around merchandise to secure it to a pallet for shipping. Target's distribution centers receive millions of pallets of merchandise



annually, with many of the pallets enclosed in shrink wrap. With high volumes of shrink wrap to manage, we recognized the need to divert this material from the waste stream, and ultimately the landfill. The result is a recycling program where our recycling partner processes the plastic to produce a durable, low maintenance lumber product made from a plastic and wood composite. This program is now an integral part of Target's distribution center prototype. In 2005, Target distribution centers recycled nearly 4 million pounds of shrink wrap, a slight decrease from the prior year. We are currently analyzing our performance to determine whether the cause of this decline is the result of our suppliers using less shrink wrap on product shipped or the result of our DC teams not fully executing the recycling program, and we plan to implement appropriate controls based on the outcome of the analysis.



Shopping Carts – Target continues to expand our shopping cart refurbishing and recycling program. The cart recycling program allows Target to refurbish carts and put them back into service or, if the carts no longer meet Target brand standards, we recycle the carts. Carts that are refurbished are either used at Target stores or sold to a third party for reuse. When a cart cannot be refurbished, the plastic and metal are recycled for reuse in products such as pre-engineered septic systems, plastic pallets and scrap steel. In 2005, Target recycled over 54,000 broken carts and bought back approximately 1,000 that were refurbished.

Construction Waste – In 2003 Target began recycling metal from its remodel construction projects and allowing our construction contractors to use our cardboard baler before a new store opened. This initiative has resulted in more than 700,000 pounds of cardboard that would have otherwise been thrown away being recycled in the two years since the program's inception. Target is also recycling concrete from both new store and remodel construction projects where it is cost effective to do so. In 2005, we recycled approximately 6.8 million pounds of concrete.

In 2006, Target is piloting a carpet recycling program at 8 stores undergoing remodeling or a carpet replacement project. This pilot is a partnership between the Carpet America Recovery Effort (CARE), one of Target's carpet suppliers – Masland, and the recycler, Champion Polymer. We are also researching the feasibility of recycling our ceiling tiles from remodeling projects. Target is driving the ceiling tile recycling by challenging its suppliers to offer such recycling services. The recycling process will be tested at 4 stores undergoing remodeling in 2006, with the intent of becoming Target's standard practice for all stores.

### Reuse

At Target, before we discard or recycle any material, we first determine who might be able to use what we no longer need. 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 decor. 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, they benefit the surrounding communities, keep useful items out of the waste stream, and reduce our waste expenses.

Merchandise Salvaging – Target's salvage program promotes the resale and reuse of damaged and overstocked merchandise. Last year, we salvaged more than 133 million pounds of unsaleable product, which included seasonal and clearance merchandise. More than 900 Target stores partner with local Goodwill Industries affiliates or other non-profit agencies. These non-profits and charities provide needed goods and services to the community, including basic needs, community enrichment and job training.

Product Donation Program – Target has partnered with America's Second Harvest – The Nation's Food Bank Network since 2001 to donate our overstock grocery items. America's Second Harvest is a nationwide nonprofit organization dedicated to feeding those in need through more than 50,000 food pantries, soup kitchens and after-school feeding programs.

In 2005, we expanded our SuperTarget food donation program to all general merchandise stores, which resulted in donations of more than 3.3 million pounds of food. This is the equivalent of providing 2.6 million meals to those in need. In 2006, Target will continue to test and 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

In 2003, Target created a centralized asset recovery program that assists team members company-wide with the management of excess or unneeded corporate assets. Typical assets include restaurant equipment, store fixtures, fork lifts, store/DC equipment, vehicles, semi trailers and other types of industrial equipment. Target's Asset Recovery team coordinates redeployment, sale, donation and recycling efforts. Our in-house program helps manage risk, increase recovery and track asset disposition. More recently, Asset Recovery launched two new websites to facilitate greater effectiveness of our programs. An internal site was launched to automate redeployment requests and an external site, [www.targetsurplussales.com](http://www.targetsurplussales.com), was launched to increase visibility and revenue for surplus assets we intend to sell. With the websites now firmly in place, we have greater control over our surplus assets and are making smarter, more environmentally conscious decisions as a result.

### Environmentally Friendly Products

At Target, we are continually "rethinking" our buying behavior to lessen impacts on our communities, our environment and our bottom line. We understand that buying recycled products helps support the recycling industry by "closing the loop" on the recycling process. For recycling to be complete, recyclable material must be reprocessed into new and useful products or materials and then sold again. Non-toxic products are safer for humans and the environment, and can be disposed of without special processes or regulations.

Our "Buyer's Guide" provides guidelines that include definitions and proper labeling information. Target is currently updating this guide with an emphasis on product categories and eco-friendly alternative materials. Equipping our merchants with a clear understanding of commonly used terms, available product certifications and labeling requirement allows them to make smart choices when selecting merchandise for our stores.

The following are some examples of environmentally friendly products sold at Target stores and on Target.com.

|   |  |
|---|--|
| <p><b>Household Products</b></p> <ul style="list-style-type: none"> <li>• Cleaning Products –Seventh Generation (in select stores) and Method brand cleaners are non-toxic, biodegradable, safe in the waste stream, derived from natural ingredients; Orange Glo and Oxy Clean are non-toxic</li> <li>• Compact fluorescent light bulbs</li> <li>• Energy Star electronics</li> <li>• Stainless steel kitchen compost pail</li> <li>• Stainless steel recycling center step can</li> </ul> | <p><b>Outdoor/Sporting Goods</b></p> <ul style="list-style-type: none"> <li>• Deck boxes, storage sheds &amp; molded landscape edging – contain 10-25% recycled content</li> <li>• Holiday lights – At Target's request, mfrs removed 13 million plastic trays and reduced cardboard packaging</li> <li>• Hose Reels – certain models contain 100% reground material</li> <li>• Huffy brand basketball backboard comprised of 80% post-consumer waste (recycled soda bottles)</li> <li>• Snowboards made from 50% post-consumer waste</li> </ul>                     |
| <p><b>School/Home Office Products</b></p> <ul style="list-style-type: none"> <li>• Greeting cards – some brands made from 50-100% recycled paper with 20-30% post-consumer waste</li> <li>• Index cards - 50% recycled fiber</li> <li>• Recycled content Post-It brand notes</li> <li>• Recycled copy paper - 30% post-consumer fiber</li> <li>• Several styles of refillable pens &amp; pencils</li> <li>• Spiral notebooks - 15% recycled fiber</li> </ul>                                | <p><b>Organic/All Natural Foods</b></p> <ul style="list-style-type: none"> <li>• Several brands of organic food products are available at our SuperTarget stores, including Amy's, Annie Chun's, Archer Farms (All Natural Chips), Back to Nature, Cascadian Farm, Earthbound Farm, Hansen's, Honest Tea, Horizon, Kashi, Nature's Path, Newman's Own, Stonyfield Farm, Tazo Tea, Wolfgang Puck, and others.</li> <li>• Annie Chun's products are also packaged in biodegradable trays.</li> </ul>   |
| <p><b>Health &amp; Beauty Aids</b></p> <ul style="list-style-type: none"> <li>• Soap – Method brand and Mrs. Meyer's liquid soap are non-toxic &amp; biodegradable</li> <li>• Hand lotion – Method brand is non-toxic &amp; biodegradable</li> <li>• Recycline's <i>Preserve Jr</i> toothbrush (in select stores) – handle is made from recycled and recyclable plastic and packaging is plant based.</li> </ul>  | <p><b>Home Décor &amp; Domestics</b></p> <ul style="list-style-type: none"> <li>• Door mats with backings made of 100% recycled tires (Mohawk Home)</li> <li>• Home fragrances – Method brand air fresheners and soy candles are non-toxic and derived from natural ingredients</li> <li>• Recycled glass vases</li> <li>• Sheets, towels, bed pillows and home décor made from bamboo (for a limited time)</li> <li>• Jersey sheets made from Modal (for a limited time)</li> <li>• Comforter, mattress pad and bed pillows made from corn (Ingeo brand)</li> </ul> |
| <p><b>Pet Products</b></p> <ul style="list-style-type: none"> <li>• Wordwise/Smartycat recycled cardboard scratchers (printed with soy inks)</li> <li>• All natural and silicon free kitty litter (Swheat Scoop and Feline Pine)</li> <li>• Worldwise/Smartykat polar fleece cat toys made from recycled pop bottles</li> <li>• Organic catnip</li> </ul>   |  |

# Organic Foods



# Eco Home Décor



Other ways that Target buys products and supplies with recycled content include:

- Corrugated boxes – Contain 30% recycled content.
- Store Mail Boxes – over 2 million store mail boxes and backroom organization boxes contain 35% post consumer content. These were manufactured specifically for Target's use.
- Target shoe boxes are made from 80% recycled fiber. The recycled fiber consists of old corrugated containers collected from supermarkets. Most Target hang tags, header cards, etc. are made with 20-60% pre-consumer waste materials.
- In 2005, Target Printing Services purchased nearly 4 million pounds of paper that contained at least 30% post consumer fiber, accounting for 67 percent of their annual paper purchases.

#### GiftCard Innovation with Bioplastic

Looking beyond recycled content materials to materials created from renewable resources, in December 2005, Target introduced the first bioplastic giftcard on the market. This giftcard is made from corn, a renewable resource. We view the environmental benefit of this card as an alternative to the traditional plastic card made from petroleum, a non-renewable resource. It is a step towards providing a sustainable product to our guests. Based on its success, Target will consider adding additional bioplastic GiftCard designs, as well as look into other applications for bioplastic, including packaging.



#### Import Packaging Reduction Education

Target is continuing its efforts towards sustainability by forging partnerships to incorporate environmental awareness in internal business practices. In a collaborative effort between Target's environmental services and transport packaging groups, guidelines were developed to assist vendors in identifying packaging options with fewer environmental impacts and greater recycling potential. These guidelines combine international conventions and state-specific requirements into a single document to provide a clear set of options for vendors to integrate more environmentally sound design into their packaging. In addition, through our membership in the Sustainable Packaging Coalition (SPC), Target recently contributed to the SPC's sustainable packaging design criteria, a project of GreenBlue. This document defines sustainable packaging and includes design guidelines and strategies.

#### Partnerships

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

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

Our operations show how businesses can successfully profit while respecting the environment. By conserving our natural resources, minimizing environmental impacts to our communities, and providing a safe work place for our employees, Target is moving towards sustainability.



## Economic Responsibility

### 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 through the "Investor Information" section of the Target.com website.

#### Summary:

|   | 2005     | 2004     | 2003     | 2002     | 2001     | 2000     |
|---|----------|----------|----------|----------|----------|----------|
| <b>Financial Results: (in millions)</b>               |          |          |          |          |          |          |
| Sales   | \$51,271 | \$45,682 | \$40,928 | \$36,519 | \$32,602 | \$29,462 |
| Net credit card revenues                              | 1,349    | 1,157    | 1,097    | 891      | 419      | 278      |
| Total revenues  | 52,620   | 46,839   | 42,025   | 37,410   | 33,021   | 29,740   |
| Cost of sales   | 34,927   | 31,445   | 28,389   | 25,498   | 23,030   | 20,870   |
| Selling, general and administrative expenses (a)      | 11,185   | 9,797    | 8,657    | 7,505    | 6,612    | 6,025    |
| Credit card expenses                                  | 776      | 737      | 722      | 629      | 313      | 185      |
| Depreciation and amortization                         | 1,409    | 1,259    | 1,098    | 967      | 820      | 676      |
| Earnings before interest expense and income taxes (b) | 4,323    | 3,601    | 3,159    | 2,811    | 2,246    | 1,984    |
| Net interest expense                                  | 463      | 570      | 556      | 584      | 470      | 422      |
| Earnings before income taxes                          | 3,860    | 3,031    | 2,603    | 2,227    | 1,776    | 1,562    |
| Provision for income taxes                            | 1,452    | 1,146    | 984      | 851      | 675      | 600      |
| Earnings from continuing operations                   | \$ 2,408 | \$ 1,885 | \$ 1,619 | \$ 1,376 | \$ 1,101 | \$ 962   |
| <b>Per Share:</b>                                     |          |          |          |          |          |          |
| Basic earnings per share                              | \$ 2.73  | \$ 2.09  | \$ 1.78  | \$ 1.52  | \$ 1.22  | \$ 1.06  |
| Diluted earnings per share                            | \$ 2.71  | \$ 2.07  | \$ 1.76  | \$ 1.51  | \$ 1.21  | \$ 1.06  |
| Cash dividends declared                               | \$ .380  | \$ .310  | \$ .270  | \$ .240  | \$ .225  | \$ .215  |
| <b>Financial Position: (in millions)</b>              |          |          |          |          |          |          |
| Total assets  | \$34,995 | \$32,293 | \$27,390 | \$24,506 | \$19,808 | \$15,349 |
| Capital expenditures                                  | \$ 3,388 | \$ 3,068 | \$ 2,738 | \$ 3,040 | \$ 3,002 | \$ 2,319 |
| Long-term debt  | \$ 9,119 | \$ 9,034 | \$10,155 | \$10,119 | \$ 8,055 | \$ 5,598 |
| Net debt (c)  | \$ 8,700 | \$ 7,806 | \$10,774 | \$10,733 | \$ 8,873 | \$ 6,453 |
| Shareholders' investment                              | \$14,205 | \$13,029 | \$11,132 | \$ 9,497 | \$ 7,896 | \$ 6,548 |
| <b>Financial Ratios:</b>                              |          |          |          |          |          |          |
| Revenues per square foot (d)(e)                       | \$ 307   | \$ 294   | \$ 287   | \$ 281   | \$ 277   | \$ 272   |
| Comparable-store sales growth (e)                     | 5.6%     | 5.3%     | 4.4%     | 2.2%     | 4.1%     | 3.4%     |
| Gross margin rate (% of sales)                        | 31.9%    | 31.2%    | 30.6%    | 30.2%    | 29.4%    | 29.2%    |
| SG&A rate (% of sales)                                | 21.8%    | 21.4%    | 21.2%    | 20.5%    | 20.3%    | 20.5%    |
| EBIT margin (% of revenue)                            | 8.2%     | 7.7%     | 7.5%     | 7.5%     | 6.8%     | 6.7%     |
| <b>Other:</b>   |          |          |          |          |          |          |
| Common shares outstanding (in millions)               | 874.1    | 890.6    | 911.8    | 909.8    | 905.2    | 897.8    |
| Retail square feet (in thousands)                     | 178,260  | 165,015  | 152,563  | 140,294  | 125,359  | 113,060  |
| Square footage growth                                 | 8.0%     | 8.2%     | 8.8%     | 11.9%    | 10.9%    | 9.4%     |
| Total number of stores                                | 1,397    | 1,308    | 1,225    | 1,147    | 1,053    | 977      |
| General Merchandise                                   | 1,239    | 1,172    | 1,107    | 1,053    | 991      | 947      |
| SuperTarget   | 158      | 136      | 118      | 94       | 62       | 30       |
| Total number of distribution centers                  | 26       | 25       | 22       | 16       | 14       | 12       |

(a) Also referred to as SG&A.

(b) Also referred to as EBIT.

(c) Including current portion and notes payable, net of marketable securities of \$1,172, \$1,732, \$244, \$357 and \$64, respectively. There were no marketable securities in 2000. 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.

(d) Thirteen-month average retail square feet.

(e) In 2000, a 53 week year; revenues per square foot and comparable-store sales growth are calculated with 52 weeks of revenues because management believes that these numbers provide a more useful analytical comparison to other years. Under generally accepted accounting principles (GAAP), revenues per square foot were \$276 and comparable-store sales growth was 5.1 percent. In 2001, comparable-store sales increased 2.4 percent from the 53 week base period.

## Locations (as of 1/28/06)

### Distribution Centers (23)

|                 |                   |                  |                    |
|-----------------|-------------------|------------------|--------------------|
| Fridley, MN     | Tifton, GA        | Tyler, TX        | West Jefferson, OH |
| Little Rock, AR | Oconomowoc, WI    | Wilton, NY       | Midlothian, TX     |
| Fontana, CA     | Albany, OR        | Huntsville, AL   | Topeka, KS         |
| Pueblo, CO      | Indianapolis, IN  | Kalamazoo, MI    | Camden, SC         |
| Sacramento, CA  | Stuarts Draft, VA | Phoenix, AZ      | Amsterdam, NY      |
| Cedar Falls, IA | Woodland, CA      | Chambersburg, PA |                    |

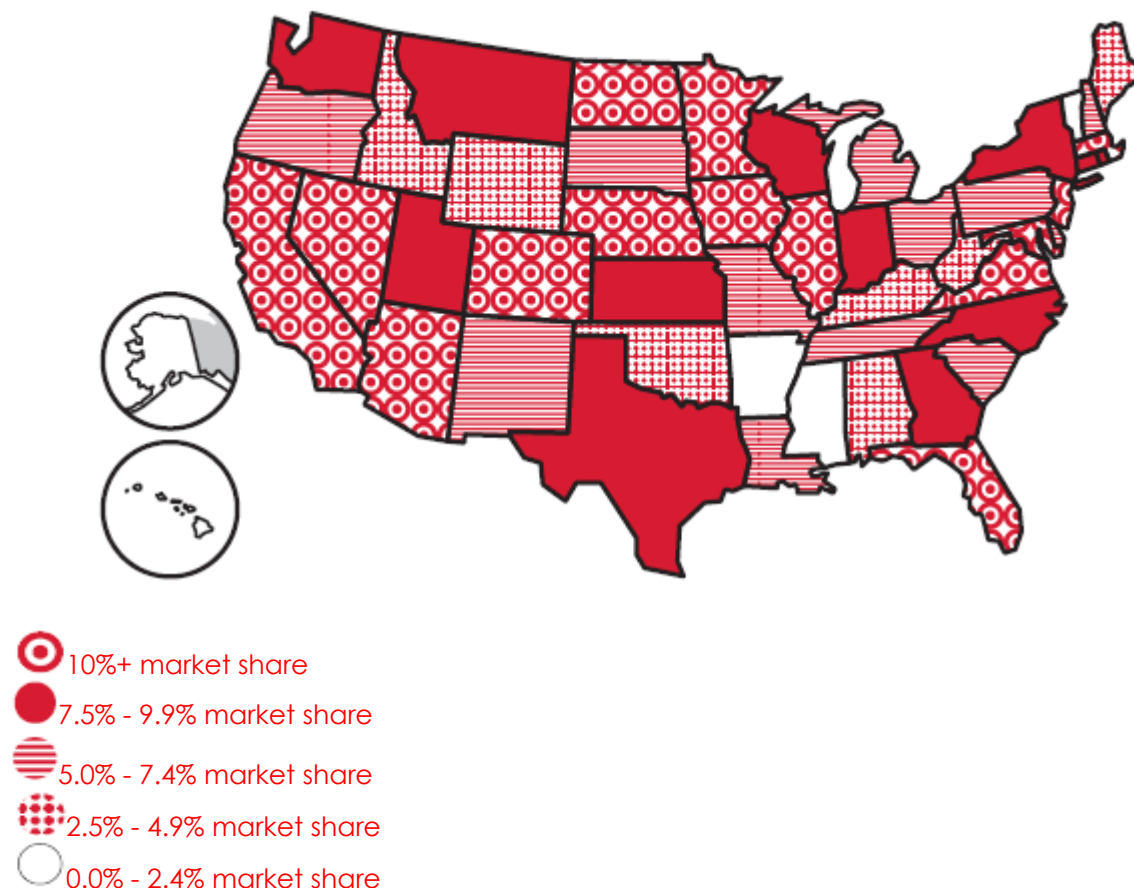
### Import Warehouses (3)

|             |           |             |
|-------------|-----------|-------------|
| Ontario, CA | Lacey, WA | Suffolk, VA |
|-------------|-----------|-------------|

1397 Stores in 47 States (Includes 158 SuperTarget stores): Alabama (11), Arizona (41), Arkansas (5), California (205), Colorado (34), Connecticut (11), Delaware (2), Florida (95), Georgia (44), Idaho (5), Iowa (21), Illinois (75), Indiana (32), Kansas (17), Kentucky (12), Louisiana (12), Maine (2), Maryland (30), Massachusetts (23), Michigan (53), Minnesota (64), Mississippi (4), Missouri (28), Montana (7), Nebraska (11), Nevada (14), New Hampshire (6), New Jersey (32), New Mexico (9), New York (49), North Carolina (38), North Dakota (4), Ohio (53), Oklahoma (11), Oregon (17), Pennsylvania (33), Rhode Island (3), South Carolina (17), South Dakota (4), Tennessee (25), Texas (121), Utah (9), Virginia (40), Washington (31), West Virginia (4), Wisconsin (31), Wyoming (2)

158 SuperTarget Stores in 21 States: Alabama (6), Arizona (2), Colorado (12), Florida (20), Georgia (9), Iowa (8), Illinois (11), Indiana (7), Kansas (6), Louisiana (4), Minnesota (14), Missouri (3), Nebraska (3), North Carolina (6), North Dakota (1), Oklahoma (3), Tennessee (2), Texas (32), Utah (6), Virginia (2), Wisconsin (1)

## 2005 Market Share





## Awards and Recognition

### 2005 Awards

- Received the “National Parent Teacher Association Commitment to America’s Children Award” for outstanding achievement and commitment to supporting parent involvement in schools, improving educational opportunities for all children and being a voice on education, health and safety issues that have impact on children and families.
- Received “Vital Link Award” from the National Domestic Violence Hotline for efforts in building awareness of family violence prevention and services
- The American Red Cross “Good Neighbor Award”, recognizing Target’s significant humanitarian contribution to the local, national or international community.
- Named “Corporate Supreme Excellence Honoree” by the National Alliance of Black School Educators
- Honored with the “Cause Marketing Forum Golden Halo award”, for our history of innovation and leadership in building mutually beneficial alliances with causes.
- Presented with the “Corporate Citizenship in the Arts award” for leadership in the arts community and recognition of the importance of arts in enriching the lives of people and communities
- U.S. Environmental Protection Agency (U.S. EPA) – Commendation for Electronics Recycling Pilot
- Named “Recycler of the Year” by the International Council of Shopping Centers
- Received the National Award for Waste Reduction from Keep America Beautiful
- Received Letter of Appreciation from the U.S. Department of Justice Drug Enforcement Administration for efforts to reduce the manufacture of methamphetamine.

### Other Awards

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

Target Corporation  
Attention: Vice President, Investor Relations (TPN-1448)  
1000 Nicollet Mall  
Minneapolis, MN 55403

This Corporate Responsibility Report was last updated:

June 15, 2006

# 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 the Distribution Center, Stores or 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.

## I. RESPONSIBILITY

The STORE MANAGER, STORE TEAM LEADER, DIRECTOR, GENERAL MANAGER, OR DEPARTMENT HEAD, \_\_\_\_\_ (name) has the authority and responsibility for implementing the program, and \_\_\_\_\_, 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.

## II. 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.

## III. 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 members 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).

## IV. INSPECTIONS

A Team Leader/Department Manager and/or SAFETY TEAM REPRESENTATIVE will conduct an inspection/investigation to identify unsafe work conditions and practices:

1. (Once a month) - the Safety checklist should be conducted in all work areas; and
2. Whenever new substances, processes, procedures or equipment are introduced in to the workplace that represent a new occupational safety and health hazard and;
3. Whenever the Team Leader/Department Manager/SAFETY TEAM REPRESENTATIVE is made aware of a new or previously unrecognized hazard.

The Safety checklist, Assessments and Building Service Calendar may be used to document these inspections/investigation.

## V. INJURY AND ILLNESS INVESTIGATION

Occupational injuries and illness will be investigated in accordance with established procedures and documented, as described on our INCIDENT INVESTIGATION FORMS.

## VI. 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.

## **VII. TRAINING**

- A. The STORE MANAGER, STORE TEAM LEADER , DIRECTOR, GENERAL MANAGER, and DEPARTMENT HEADS, or designee shall assure that 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.
- B. 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:

- 1. To all new hire and team members given new job assignments when training has not already been received.
- 2. Whenever new substances, process, procedures or equipment are introduced to the workplace and represent a new hazard; and
- 3. Whenever the employer is made aware of a new or previously unrecognized hazard.

## **VIII. RECORD KEEPING**

The STORE MANAGER, STORE TEAM LEADER, DIRECTOR, GENERAL MANAGER, DEPARTMENT HEADS, or designee shall keep records of inspections, included 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, Monthly Safety Inspections, Safety Meeting Notes, Safety Concern Cards).

He/She shall also keep documentation of safety and health training attended by each team members, including team members 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 WORK WEEK 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.

e/e/s = Economic, Environmental and Social

| GRI Section Reference                                 | Content   | Target Report Section/Page  |
|---|---|---|
| 1.1-1.2 Vision and Strategy                           | Company's sustainability strategy   | CEO Letter/ p. 1  |
| 2.1 – 2.22 Company Profile                            | Name & Major Service  | Overview/ p. 3  |
|   | Operational Structure   | Overview/ p. 3  |
|   | Major divisions   | Overview/ p. 3  |
|   | Operations in other countries   | Global Compliance - Global Sourcing Agents/ p. 35   |
|   | Scale of Organization   | Overview/ p. 3  |
|   | Contact person for report   | Appendix A  |
|   | Reporting Period  | Appendix A  |
|   | Significant changes in size, structure  | Overview/ p. 3  |
|   | 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/ pp. 5-6  |
|   | Percentage of Board members that are independent, non-executive directors   | Corporate Governance Profile – Mix of Inside and Outside Directors Independence...Directors/ p. 7                 |
|   | Process for determining expertise   | Corporate Governance Profile – Board Membership Criteria/ p. 8  |
|   | Board-level processes for overseeing e/e/s actions  | Corporate Governance Profile – Corporate Responsibility Committee/ p. 5   |
|   | Linkage between executive compensation and financial goals and performance  | Corporate Governance Profile – Formal Evaluation of the CEO/ p. 9   |
|   | 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/ p. 9 |
|   | Externally developed e/e/s principles or initiatives to which Target subscribes or endorses.  | Environmental/ pp. 36-43<br>Diversity/pp. 26-28   |
|   | Policies for managing upstream and downstream impacts, e.g. supply chain, outsourcing, etc.   | Global Compliance – Target Corporation Compliance Organization/ pp. 32-35   |
|   | Approach to managing indirect impact of e/e/s activities  | Global Compliance/ pp. 32-35<br>Environment/ pp. 36-43  |
|   | 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  |   |

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|---------------------------------|---|--|
| Economic Performance Indicators |   |  |
| EC1                             | Net Sales/Revenues  | Financial Performance/ p. 50   |
| EC2                             | Geographic breakdown of markets; market share   | Financial Performance/ p. 51   |
| EC3                             | Cost of goods   | Financial Performance/ p. 50   |
| EC8                             | Taxes   | Financial Performance/ p. 50   |
| EC10                            | Donations to community  | Community Giving/ p. 16  |
| Social Performance Indicators   |   |  |
| LA2                             | Net employment creation   | Commitment to Team Members/p. 25   |
| LA3                             | Percentage of employees represented by collective bargaining agreements   | Union Philosophy/ p. 29  |
| LA5                             | Practices regarding recording and notification of occupational accidents and diseases                                       | Health and Safety/ p. 28   |
| LA10                            | Description of EEO policies   | Focus on Diversity and Equal Opportunity/ pp. 25-28                                      |
| LA11                            | Diversity composition of senior management and Board of Directors   | Focus on Diversity and Equal Opportunity/ p. 26  |
| HR1                             | Description of policies re: human rights  | Global Compliance/ pp. 32-35   |
| HR2                             | Evidence of consideration of human rights impacts as part of investment & procurement decisions, including vendor selection | Global Compliance/ pp. 32-35<br>Standards of Vendor Engagement/ Appendix C               |
| HR3                             | Description of policies and procedures to evaluate and address human rights performance of vendors                          | Global Compliance/ pp. 32-35<br>Standards of Vendor Engagement/ Appendix C               |
| HR4                             | Policies and procedures for preventing discrimination   | Focus on Diversity and Equal Opportunity/ pp. 26-28<br>Business Conduct Guide/ pp. 13-14 |
| HR5                             | Description of freedom of association policy and extent to which policy is applied  | Union Philosophy/ p. 29  |
| HR6                             | Description of policy regarding prohibition of child labor, application of policy and procedures to enforce policy          | Global Compliance/ pp. 32-35<br>Standards of Vendor Engagement/ Appendix C               |
| HR7                             | Description of policy to prevent forced/compulsory labor – audit practices  | Global Compliance/ pp. 32-35<br>Standards of Vendor Engagement/ Appendix C               |
| SO1                             | Policies to manage impacts on communities in areas affected by activities   | Community Giving/ pp. 16-24  |
| SO2                             | Compliance mechanisms for addressing bribery and corruption   | Business Conduct Guide/ p. 11  |
| SO3                             | Compliance mechanisms for addressing political lobbying and contributions   | Business Conduct Guide/ p. 14  |
| PR1                             | Policy for preserving customer health and safety during use of products and services  | Business Conduct Guide/ p. 14  |
| PR3                             | Consumer Privacy  | Business Conduct Guide/ p. 14  |