Target Corporation

Key Takeaways

On Dec. 19, 2013, Target confirmed that it was aware of unauthorized access to payment card data that may have impacted certain guests making credit and debit card purchases in its U.S. stores.

A vote AGAINST directors serving on the Audit and Corporate Responsibility Committees is warranted for failure to provide sufficient risk oversight.

In light of the aforementioned concerns and the company's continued TSR underperformance, a policy to separate the roles of chairman and CEO could improve the independent oversight of management and benefit shareholders.

ISS QuickScore

GOVERNANCE

2

Scores indicate decile rank relative to index or region. A decile score of 1 indicates lower governance risk, while a 10 indicates higher governance risk.

Meeting Type: Annual
Meeting Date: 11 June 2014
Record Date: 14 April 2014
Meeting ID: 888545

New York Stock Exchange: TGT
Index: S&P 500
Sector: General Merchandise Stores
GICS: 25503020

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Agenda & Recommendations

Policy: United States

Incorporated: Minnesota, USA

Item	Code	Proposal	Board Rec.	ISS Rec.
MANAGEMENT PROPOSALS				
1a	M0201	Elect Director Roxanne S. Austin	FOR	AGAINST
1b	M0201	Elect Director Douglas M. Baker, Jr.	FOR	FOR
1c	M0201	Elect Director Calvin Darden	FOR	AGAINST
1d	M0201	Elect Director Henrique De Castro	FOR	AGAINST
1e	M0201	Elect Director James A. Johnson	FOR	AGAINST
1f	M0201	Elect Director Mary E. Minnick	FOR	AGAINST
1g	M0201	Elect Director Anne M. Mulcahy	FOR	AGAINST
1h	M0201	Elect Director Derica W. Rice	FOR	AGAINST
1i	M0201	Elect Director Kenneth L. Salazar	FOR	FOR
1j	M0201	Elect Director John G. Stumpf	FOR	FOR
2	M0101	Ratify Auditors	FOR	FOR
3	M0550	Advisory Vote to Ratify Named Executive Officers' Compensation	FOR	FOR
SHAREHOLDER PROPOSALS				
4	S0504	Eliminate Perquisites	AGAINST	AGAINST
5	S0107	Require Independent Board Chairman	AGAINST	FOR
6	S0911	Cease Discrimination in Hiring, Vendor Contracts, or Customer Relations	AGAINST	AGAINST

Shaded areas indicate recommendations against board
▶ Items deserving attention due to contentious issues or controversy

Report Contents

ISS-Company Dialogue

Date	Topics	Initiated By	Notes
May 23, 2014	Compensation, Board Leadership	Issuer	Three independent directors explained the compensation changes and board response to Data Breach.

Note: ISS engages in ongoing dialogue with issuers in order to ask for additional information or clarification, but not to engage on behalf of its clients. Any draft review which may occur as part of this process is done for purposes of data verification only. All ISS recommendations are based solely upon publicly disclosed information.

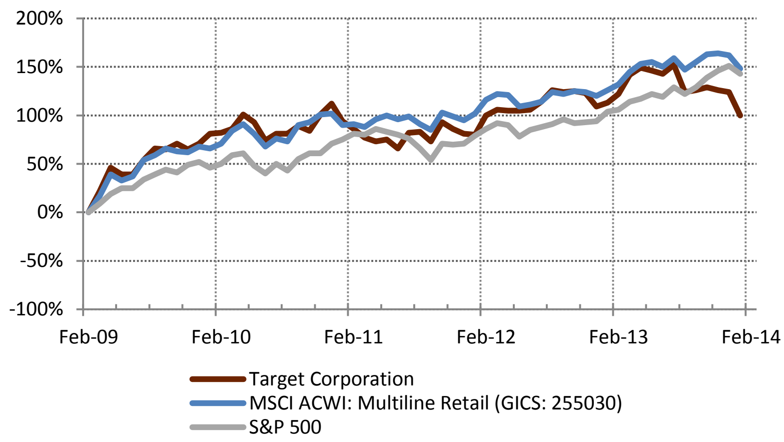
Material Company Updates

Item	Summary
Data Breach	As described in its most recent Form 10-K, the company experienced a data breach in which an intruder stole certain payment card and other guest information from its network ("Data Breach"). Based on the company's investigation to date, it believes that the intruder accessed and stole payment card data from approximately 40 million credit and debit card accounts of guests who shopped at U.S. stores between Nov. 27 and Dec. 15, 2013, through malware installed on the point-of-sale system. The company states that its investigation of the matter is ongoing, and it is supporting law enforcement efforts to identify the responsible parties. In the fourth quarter of 2013, the company recorded $61 million of pretax Data Breach-related expenses, and expected insurance proceeds of $44 million, for net expenses of $17 million ($11 million after tax), or $0.02 per diluted share. Expenses include costs to investigate the Data Breach, provide credit-monitoring services to guests, increase staffing in call centers, and procure legal and other professional services. In addition, more than 80 actions have been filed in courts in many states and other claims have been or may be asserted against the company on behalf of guests, payment card issuing banks, shareholders or others seeking damages or other related relief, allegedly arising out of the Data Breach. State and federal agencies, including the State Attorneys General, the Federal Trade Commission, and the SEC, are investigating events related to the Data Breach, including how it occurred, its consequences and the company responses. See Elect Directors below for further analysis.
Executive Changes	On March 5, 2014, Target announced that Beth Jacobs, Chief Information Officer, resigned. On April 29, 2014, Target announced the appointment of Bob DeRodes as Chief Information Officer effective May 5, 2014. On May 5, 2014, the board announced that, after extensive discussions, the board and Gregg W. Steinhafel, CEO, decided that a leadership change was in Target’s best interests. Accordingly, Steinhafel stepped down as President and CEO, and resigned as a director, effective immediately. The board appointed John J. Mulligan, CFO, to serve in the additional capacities of Interim president and CEO and elected Roxanne S. Austin to serve as Interim chair, each effective immediately. Steinhafel has agreed to remain employed by Target in an advisory capacity to assist with the transition.
Board Updates	Mary N. Dillon resigned from the board, effective June 24, 2013, in connection with being appointed the CEO of Ulta Salon, Cosmetics & Fragrance, Inc. On July 2, 2013, the board elected Kenneth L. Salazar as a director. Subsequently, on Nov. 13, 2013, the board appointed Salazar to serve on the Nominating and Governance Committee and the Corporate Responsibility Committee. On March 12, 2014, the company disclosed that Solomon D. Trujillo had informed the company that he intended to retire from the board, effective March 31, 2014, in connection with reaching the five-year post-retirement term limit and the 20-year term limit under Target’s Corporate Governance Guidelines.
Notable Vote Results	At the last annual meeting, the Advisory Vote on Executive Compensation received the support of only 52.1 percent of the votes cast. See the *Compensation Committee Responsiveness* section of ***Advisory Vote on Executive Compensation*** analysis below.

Financial Highlights

Company Description: Target Corporation operates general merchandise stores in the United States and Canada.

STOCK PRICE PERFORMANCE



TOTAL SHAREHOLDER RETURNS

	1 Yr	3 Yr	5 Yr
Company TSR (%)	-3.93	3.38	14.94
GICS 2550 TSR (%)	16.16	16.03	33.58
S&P500 TSR (%)	21.52	13.93	19.19

Source: Compustat. As of last day of company FY end month: 01/31/2014

COMPANY SNAPSHOT

Market Cap (M)	37,623.3
Closing Price	59.42
Annual Dividend	1.65
52-Week High	73.50
52-Week Low	54.66
Shares Outstanding (M)	633.18
Average daily trading volume (prior mo)*	4,321.71

As of April 14, 2014 (All currency in USD)
* Trading Volume in thousands of shares

FINANCIAL & OPERATIONAL PERFORMANCE

	Historical Performance (FY ending)					Compared to Peers (Compustat FY*) – **2013**				
All currency in USD	**1/2009**	**1/2010**	**1/2011**	**1/2012**	**1/2013**	**DOW**	**WAG**	**COST**	**UNH**	**M**
Earnings						The Dow Chemical Company	Walgreen Co.	Costco Wholesale Corporation	UnitedHealth Group Incorporated	Macy's, Inc.
Revenue (M)	65,357	67,390	69,865	73,301	72,596	57,080	72,217	105,156	122,489	27,931
Net Income (M)	2,488	2,920	2,929	2,999	1,971	4,787	2,450	2,039	5,625	1,486
EBITDA (M)	6,696	7,336	7,453	7,352	6,195	7,025	5,063	3,999	10,998	3,737
EPS (USD)	3.31	4.03	4.31	4.57	3.10	3.72	2.59	4.68	5.59	3.93
EPS Y/Y Growth (%)	15	22	7	6	-32	424	7	19	4	20
Profitability										
Net Margin (%)	6	7	6	6	4	12	5	3	7	8
EBITDA Margin (%)	10	11	11	10	9	12	7	4	9	13
Return on Equity (%)	16	19	19	18	12	19	13	19	18	24
Return on Assets (%)	6	7	6	6	4	6	7	7	7	7
ROIC (%)	8	9	10	10	7	10	10	13	12	12
Liquidity										
Debt/Assets	38	36	38	37	31	26	15	17	21	33
Debt/Equity	110	102	111	107	85	67	27	48	52	115
Cash Flows										
Operating (M)	5,881	5,271	5,434	5,325	6,520	7,823	4,301	3,437	6,991	2,549
Investing (M)	-1,703	-1,744	-4,180	-2,855	-271	-1,469	-1,996	-2,251	-3,089	-788
Financing (M)	-2,842	-4,015	-2,140	-2,488	-6,364	-4,731	-1,496	44	-4,946	-1,324
Net Change (M)	1,336	-488	-918	-10	-89	1,622	809	1,116	-1,130	437
Valuation & Performance										
Price/Earnings	15.50	13.60	11.80	13.20	18.30	11.90	18.60	23.90	13.50	13.50
Annual TSR (%)	67.14	8.63	-5.34	21.51	-3.93	42.28	38.11	23.76	41.01	37.42

Source: Compustat. *Note: Compustat standardizes financial data and fiscal year designations to allow for accurate comparison across companies and industries. Compustat data may differ from companies' disclosed financials. See www.issgovernance.com/policy/CompanyFinancialsFAQ for more information.
Peers used in Financial Highlights represent closest industry peers drawn from those peers used in ISS' pay-for-performance analysis.

Corporate Governance Profile

BOARD & COMMITTEE SUMMARY

	Independence	Members	Meetings
Full Board	90%	10	5
Audit	100%	4	7
Compensation	100%	4	5
Nominating	100%	3	3

Chairman classification*	Independent Outsider
Separate chair/CEO	Yes
Independent lead director	Yes
Voting standard	Majority
Plurality carveout for contested elections	Yes
Resignation policy	Yes
Total director ownership (000 shares)	416
Total director ownership (%)	<1
Percentage of directors owning stock	100%
Number of directors attending < 75% of meetings	0
Number of directors on excessive number of outside boards	0
Average director age	57 years
Average director tenure	8 years
% of women on board	30%

*Interim chairman is independent outsider

SHAREHOLDER RIGHTS SUMMARY

Controlled company	No
Classified board	No
Dual-class stock	No
Vote standard for mergers/acquisitions	Majority
Vote standard for charter/bylaw amendment	Majority
Shareholder right to call special meetings	Yes, 10%
Material restrictions on right to call special meetings	No
Shareholder right to act by written consent	Unanimous
Cumulative voting	No
Board authorized to issue blank-check preferred stock	Yes
Poison pill	No

Board Profile

Director Independence & Affiliations

NON-EXECUTIVE DIRECTORS

On Ballot	Name	Affiliation	Independence Classification		Attend <75%	Gen-der	Age	Tenure	Term Ends	Outside		Key Committees			
			Company	ISS						Boards	CEO	Audit	Comp	Nom	Gov
✓	**Roxanne S. Austin**	Chair	Independent	Independent Outsider		F	53	12	2015	4		**C F**			
✓	**James A. Johnson**	Lead Director	Independent	Independent Outsider		M	70	18	2015	2			**C**		
✓	**Douglas M. Baker Jr.**		Independent	Independent Outsider		M	55	1	2015	2	✓		**M**	**M**	**M**
✓	**Calvin Darden**		Independent	Independent Outsider		M	64	11	2015	2			**M**	**M**	**M**
✓	**Henrique De Castro**		Independent	Independent Outsider		M	48	1	2015	0					
✓	**Mary E. Minnick**		Independent	Independent Outsider		F	54	9	2015	2		**F**			
✓	**Anne M. Mulcahy**		Independent	Independent Outsider		F	61	17	2015	3		**F**		**C**	**C**
✓	**Derica W. Rice**		Independent	Independent Outsider		M	49	7	2015	0		**F**			
✓	**Kenneth L. Salazar**	Professional Relationship	Independent	Affiliated Outsider		M	59	0*	2015	0					
✓	**John G. Stumpf**		Independent	Independent Outsider		M	60	4	2015	2	✓		**M**		

Shaded cells indicate that the company considers the director independent while ISS has classified the director as affiliated.
*Indicates director not previously submitted to shareholders for election.

M = Member | C = Chair | F = Financial Expert

Director Notes

	Douglas M. Baker Jr.	The company paid Ecolab Inc. ("Ecolab") for supplies, servicing, repairs and merchandise. The total payments amounted to less than 0.01 percent of Ecolab's annual revenues in each of the last three fiscal years. Douglas M. Baker, Jr. is an executive officer of that firm. (Source: DEF14A, 5/19/14, pp. 13, 17.)
	Henrique De Castro	The company paid Yahoo! Inc. ("Yahoo!") for advertising, search marketing, and other services. The total payments amounted to less than 0.3 percent of Yahoo!'s annual revenues in each of the last three fiscal years. Henrique De Castro served as an executive officer of that firm. (Source: DEF14A, 5/19/14, pp. 13, 18.)
	Mary E. Minnick	The company purchases merchandise for resale from portfolio firms of Lion Capital. The total payments amounted to less than 2 percent of each portfolio company's annual revenues for each of the last three fiscal years. Mary E. Minnick is a partner of Lion Capital. (Source: DEF14A, 5/19/14, pp. 13, 19.)
	Anne M. Mulcahy	The company made charitable contributions to Save The Children Federation, Inc. ("Save The Children"). The amount of contributions made to that organization amounted to less than 2 percent of Save The Children's annual revenues in each of the last three fiscal years. Anne M. Mulcahy is the chairman of the board of trustees of that organization. (Source: DEF14A, 5/19/14, pp. 13, 20.)
▶	Kenneth L. Salazar	After fiscal 2013, the law firm of WilmerHale was engaged to provide legal services to the company. The total fees for such services are expected to be less than 2 percent of that firm's annual revenues. Kenneth L. Salazar is a partner of that firm. (Source: DEF14A, 5/19/14, pp. 13, 21.)
	John G. Stumpf	Wells Fargo & Company ("Wells Fargo") provides commercial banking, brokerage, trust and equipment financing services to the company, and serves as a non-lead participant in the company's syndicated revolving credit facility. The total payments to Wells Fargo amounted to less than 0.02 percent of Wells Fargo's annual revenues in each of the last three fiscal years. John G. Stumpf is an executive officer of that firm. (Source: DEF14A, 5/19/14, pp. 13, 21.)

Director Employment, Compensation & Ownership

Name	Primary Employment	Outside Boards	Total Compensation*	Shares Held	60-day Options	Total	Voting power (%)
Roxanne S. Austin	Consultant	AbbVie Inc., Teledyne Technologies Incorporated, Abbott Laboratories, Telefonaktiebolaget LM Ericsson	290,013	14,323	42,513	56,836	<1
James A. Johnson	Consultant	The Goldman Sachs Group, Inc., Forestar Group Inc.	322,050	14,510	86,222	100,732	<1
Douglas M. Baker Jr.	CEO, Chairman - Ecolab Inc.	U.S. Bancorp, Ecolab Inc.	424,107	2,598	5,570	8,168	<1
Calvin Darden	Real Estate Services	Coca-Cola Enterprises, Inc., Cardinal Health, Inc.	260,013	18,365	48,904	67,269	<1
Henrique De Castro	Retired		514,154	2,961	5,570	8,531	<1
Mary E. Minnick	Financial Services	Heineken NV, WhiteWave Foods Company	260,061	45,217	0	45,217	<1
Anne M. Mulcahy	Retired	Graham Holdings Company, Johnson & Johnson, LPL Financial Holdings Inc.	170,013	28,579	35,124	63,703	<1
Derica W. Rice	CFO, EVP, Global Services - Eli Lilly and Company		287,527	35,832	0	35,832	<1
Kenneth L. Salazar	Attorney/Counsel		350,876	2,077	3,601	5,678	<1
John G. Stumpf	CEO, Chairman, President - Wells Fargo & Company	Chevron Corporation, Wells Fargo & Company	260,013	6,674	17,889	24,563	<1

*Local market currency
**For executive director data, please refer to Executive Compensation Profile.

Compensation Profile

EXECUTIVE PAY OVERVIEW

Executive	Title	Base Salary	Change in Pension, Deferred Comp, All Other Comp	Bonus & non-equity incentives	Restricted stock	Option grant	Total
G. Steinhafel	Former Chairman, President & Chief Executive Officer	1,500	1,229	0	10,960	0	13,689
K. Tesija	Executive Vice President, Merchandising & Supply Chain	950	406	0	6,261	0	7,618
T. Schiel	Executive Vice President, Stores	725	158	0	4,070	0	4,953
J. Mulligan	Interim President & Chief Executive Officer, Chief Financial Officer	700	279	150	3,757	0	4,886
J. Jones II	Executive Vice President & Chief Marketing Officer	700	87	0	3,757	0	4,544
Median CEO Pay	ISS Selected Peer Group	1,394	553	2,281	5,736	2,065	12,246
	Company Defined Peers	1,220	303	1,850	5,039	1,730	**10,932**

Source: ISS. Pay in $thousands. Total pay is sum of all reported pay elements, using ISS' Black-Scholes estimate for option grant-date values. Note: Median total pay will not equal sum of pay elements medians. Company-defined peers are as disclosed. More information on ISS' peer group methodology at www.issgovernance.com/policy/USCompensation.

OPTION VALUATION ASSUMPTIONS

For CEO's last FY Grant	Company	ISS
Volatility (%)*	N/A	N/A
Dividend Yield (%)*	N/A	N/A
Term (yrs)*	N/A	N/A
Risk-free Rate (%)*	N/A	N/A
Grant date fair value per option*	N/A	N/A
Grant Date Fair Value ($ in 000)**	N/A	N/A

*Source: Standard & Poor's Xpressfeed;**Source DEF14A (company value); ISS (ISS value)

CEO TALLY SHEET

CEO	G. Steinhafel
CEO tenure at FYE:	5.7 years
Present value of all accumulated pension:	$1,218,179
Value of CEO stock owned (excluding options):	$31,945,856
Potential Termination Payments	
Involuntary termination without cause:	$18,421,322
Termination after a change in control:	$27,430,525

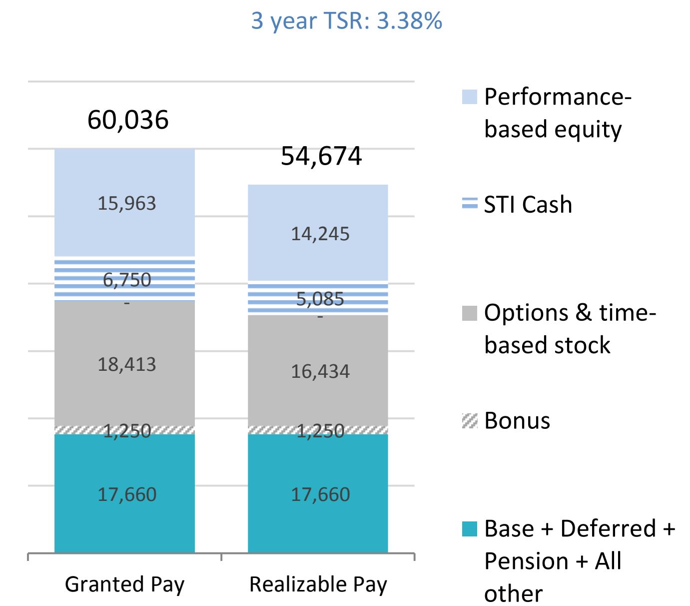
Source: DEF14A

CEO PAY MULTIPLES

Compared to	Multiple
2nd highest active executive	1.80
Average active NEO	2.49
ISS peer median	1.12
Company peer median	1.25

Source: ISS

3-YEAR GRANTED VS. REALIZABLE CEO PAY



Source: DEF14A and ISS ($ in thousands)

Granted pay equals the sum of, for all of the three prior fiscal years: (1) Salary, Change in Pension Value/Deferred Compensation and All Other Compensation as reported in the Summary Compensation Table (SCT), (2) paid Bonus, (3) target short-term cash incentives, (4) the target value of long-term cash incentives granted, and (5) the grant-date fair value of equity awards granted.

Realizable pay equals the sum of (1) and (2) above, (3) the sum of short-term cash incentives earned, (4) the earned (or target if not yet earned) value of any long-term cash awarded during the period, and (5) the fair value of all equity awarded (or earned, for performance shares where the performance period has ended) during the prior three fiscal years, all valued as of the most recent FY end date (end of the measurement period).

With the exception of exercised options, which are valued at intrinsic value at the date of exercise, all options are valued with the Black-Scholes model using assumptions as of the valuation date (grant date for grant pay, and most recent FY end date for realizable pay). More information at www.issgovernance.com/policy/USCompensation

Dilution & Burn Rate

DILUTION

	Dilution (%)
Target Corporation	7.95
Peer group median	11.40
Peer group weighted average	10.08
Peer group 75th percentile	16.51

Dilution is the sum of the total amount of shares available for grant and outstanding under options and other equity awards (vested and unvested) expressed as a percentage of total basic common shares outstanding as of the record date. The dilution figure typically excludes employee stock purchase plans (ESPPs) and 401(k) shares. The underlying information for the company is based on the company's equity compensation table in the most recent proxy statement or 10-K.

BURN RATE

	Non-Adjusted (%)	Adjusted (%)
1-year	0.34	0.96
3-year average	0.89	1.39

Burn rate equals the number of shares granted in each fiscal year, including stock options, restricted stock (units), actual performance shares delivered under the long-term incentive plan or earned deferred shares, to employees and directors divided by weighted average common shares outstanding. The adjusted burn rate places a premium on grants of full-value awards using a multiplier based on the company's annual volatility.

ISS QuickScore

As of May 27, 2014

ISS GOVERNANCE QUICKSCORE PILLARS

Board	5
Subcategory & Impact:	
★	Board Composition
	Composition of Committees
	Board Practices
	Board Policies
⚑	Related Party Transactions

Compensation	4
Subcategory & Impact:	
⚑	Pay For Performance
	Non-Performance Based Pay
	Use Of Equity
★	Equity Pay Risk Mitigation
	Communications & Disclosure
	Termination
	Controversies

Shareholder Rights	1
Subcategory & Impact:	
	One Share - One Vote
	Takeover Defenses
	Voting Issues
	Voting Formalities

Audit	10
Subcategory & Impact:	
	External Auditor
⚑	Audit & Accounting Controversies
	Other Issues

★ The total number of points in this subcategory is at the top of the possible range.
⚑ The total number of points in this subcategory is at the bottom of the possible range.
No Star or Flag: The total number of points in this subcategory is in the middle of the possible range.

ISS Governance QuickScore is derived from publicly disclosed data on the company's governance practices. Scores indicate decile rank relevant to index or region. While company practices that raise concerns in ISS Governance QuickScores are in many cases factors that weigh against the company in analyzing certain proposals, ISS recommendations are based on situational proposals and the related qualitative aspects of our review.

Scores are calculated at each pillar by summing the factor scores in that pillar. Not all factors and not all subcategories have equal weight, and not all factors or subcategories apply to all markets. For more information on ISS Governance QuickScore, visit http://www.issgovernance.com/governance-solutions/investment-tools-data/quickscore/. For questions, please contact: Quickscore@issgovernance.com.

Vote Results

ANNUAL MEETING 12 JUNE 2013

Proposal	Board Rec	ISS Rec	Disclosed Result	Support Including Abstains (%)[1]	Support Excluding Abstains (%)[2]
1a Elect Director Roxanne S. Austin	For	For	Majority	94.6	95.1
1b Elect Director Douglas M. Baker, Jr.	For	For	Majority	96.9	97.4
1c Elect Director Henrique De Castro	For	For	Majority	98.9	99.3
1d Elect Director Calvin Darden	For	For	Majority	95.4	95.9
1e Elect Director Mary N. Dillon	For	For	Majority	95.6	96.0
1f Elect Director James A. Johnson	For	For	Majority	86.6	86.9
1g Elect Director Mary E. Minnick	For	For	Majority	98.2	98.6
1h Elect Director Anne M. Mulcahy	For	For	Majority	89.3	89.7
1i Elect Director Derica W. Rice	For	For	Majority	98.3	98.7
1j Elect Director Gregg W. Steinhafel	For	For	Majority	96.5	97.0
1k Elect Director John G. Stumpf	For	For	Majority	94.8	95.1
1l Elect Director Solomon D. Trujillo	For	For	Majority	97.3	97.8
2 Ratify Auditors	For	For	Pass	97.7	98.0
3 Advisory Vote to Ratify Named Executive Officers' Compensation	For	Against	Pass	51.7	52.1
4 Require Independent Board Chairman	Against	For	Fail	37.3	37.6
5 Report on Electronics Recycling and Preventing E-Waste Export	Against	Against	Fail	7.8	9.7

Shaded results reflect a majority of votes cast FOR shareholder proposal or AGAINST management proposal or director election
[1]Support Including Abstains is defined as %FOR/(For + Against + Abstain), as expressed as a percentage.
[2]Support Excluding Abstains is defined as %FOR/(For + Against), as expressed as a percentage, provided if different from For + Against + Abstain.

Meeting Agenda & Proposals

Items 1a-1j. Elect Directors

SPLIT

VOTE RECOMMENDATION

A vote AGAINST directors Roxanne S. Austin, Mary E. Minnick, Anne M. Mulcahy, Derica W. Rice, Calvin Darden, Henrique De Castro, and James A. Johnson is warranted for failure to provide sufficient risk oversight as members of the company's Audit and Corporate Responsibility Committees.

A vote FOR directors Douglas M. Baker, Jr., Kenneth L. Salazar (new nominee), and John G. Stumpf is recommended.

BACKGROUND INFORMATION

Policies: Board Accountability | Board Responsiveness | Director Competence | Director Independence | Election of Directors | ISS Categorization of Directors | Vote No campaigns

Vote Requirement: The company has adopted a majority vote standard (of shares cast) for the election of directors with a plurality carve-out for contested elections, and has a director resignation policy in its governance guidelines.

Discussion

DATA BREACH CHRONOLOGY OF KEY EVENTS

On Dec. 19, 2013, as noted in the Material Company Updates above, Target confirmed that it was aware of unauthorized access to payment card data that may have impacted certain guests making credit and debit card purchases in its U.S. stores ("Data Breach"). According to the press release that day, "Approximately 40 million credit and debit card accounts may have been impacted between Nov. 27 and Dec. 15, 2013. Target alerted authorities and financial institutions immediately after it was made aware of the unauthorized access, and is putting all appropriate resources behind these efforts. Among other actions, Target is partnering with a leading third-party forensics firm to conduct a thorough investigation of the incident."

On Jan. 10, 2014, in a press release, the company announced that as part of Target's ongoing forensic investigation, it has been determined that certain guest information – separate from the payment card data previously disclosed – was also taken during the data breach.

In that release, the company noted that its sales expectations reflect "Stronger-than-expected fourth quarter sales prior to the Company's December 19, 2013, announcement of a payment card data breach; Meaningfully weaker-than-expected sales since the announcement, which have shown improvement in the last several days, and; A comparable sales decline of (2)% to (6)% for the remainder of the quarter."

On March 5, 2014, Target announced that Beth Jacobs, Chief Information Officer, resigned.

On April 29, 2014, Target announced the appointment of Bob DeRodes as Chief Information Officer effective May 5, 2014.

On May 5, 2014, the board announced that, after extensive discussions, the board and CEO Gregg W. Steinhafel decided that a leadership change was in Target's best interests. Accordingly, Steinhafel stepped down as president and CEO, and resigned as a director, effective immediately. The board appointed John J. Mulligan, CFO, to serve in the additional capacities of Interim president and CEO and elected Roxanne S. Austin to serve as Interim chair, each effective immediately. Steinhafel agreed to remain employed by Target in an advisory capacity to assist with the transition.

EFFECT ON SHAREHOLDER VALUE

On Dec. 18, 2013, the closing stock price for the Target was $62.61. In the aftermath of the Data Breach, especially following the Jan. 10, 2014 press release confirming the expected negative impact on sales, the stock price dropped below the $60.00 range, reaching as low as $55.07 on Feb. 5, 2014. As of May 22, 2014, the closing stock price was $55.99 per share, a nearly 11-percent decline, representing a $4.2 billion loss in market value. In comparison, the S&P500 Index increased by over 4 percent over the same time period.

Analysis

In light of the events outlined above, ISS' analysis highlights the following:

ROLE OF BOARD IN RISK OVERSIGHT

According to the proxy statement, the "primary responsibility for the identification, assessment and management of the various risks that we face belongs with management. The Board’s oversight of these risks occurs as an integral and continuous part of the Board’s oversight of our business." Further, the proxy statement notes that the board's "ongoing oversight of risk also occurs at the Board Committee level on a more focused basis, as described in the description of each Committee’s responsibilities, as applicable."

At Target, while each board committee is responsible for relevant risks, the Audit Committee and the Corporate Responsibility Committee are designated with overseeing the risk assessment process as well as the oversight of reputational risk.

Specifically, the Audit Committee, in addition to the usual oversight of the financial reporting process and compliance programs, is responsible for supplementing the board's "ongoing oversight of risk, through periodic review of our risk assessment process, which facilitates identification and consideration of our risk exposures in the context of our overall strategic objectives." Further, as disclosed in the Audit Committee Charter, the committee is tasked to "Review and discuss with management its approach to risk assessment and risk management, including the risk of fraud, and the commitment of internal audit resources to audit the Corporation’s guidelines, policies and procedures to mitigate identified risks."

As disclosed in the proxy statement, the Corporate Responsibility Committee is "primarily responsible for oversight of reputational risk." Further, the committee charter states that it is responsible for "assist[ing] management in identifying and determining an appropriate response to emerging public issues critical to achievement of the Corporation’s strategic objectives related to its constituencies, including its guests, team members, shareholders and communities."

ISS believes that in light of the company's significant exposure to customer credit card information and online retailing, these committees should have been aware of, and more closely monitoring, the possibility of theft of sensitive information, especially since it involves shoppers and the communities in which the company operates, as well as the overall impact on brand reputation and brand value.

Hence, while the board maintains general oversight of risk, these two committees are tasked with specific responsibilities that are germane to the Data Breach incident.

Committee Membership

	Directors
Audit Committee	Roxanne S. Austin (chair), Mary E. Minnick, Anne M. Mulcahy, Derica W. Rice
Corporate Responsibility	Kenneth L. Salazar[1] (chair), Calvin Darden, Henrique De Castro, James A. Johnson, Mary E. Minnick

1. New director.

ACTIONS PRIOR TO DATA BREACH

The company provides little disclosure of the risk assessment process conducted by the committees or the board that would assure shareholders of a robust risk identification and oversight program.

What may be of concern to shareholders is the failure of these committees, and possibly by extension the full board, to recognize the potential threat faced by the company. Further, questions have been raised about the appropriateness of the background of the former CIO; according to a publicly available biography, the former CIO first joined Target in 1984, spending two years as an assistant buyer in the company's Dayton's department store division. She left the company in 1986, but returned in 2002 as director of guest contact centers. She became vice president of guest operations in 2006, then was named senior vice president and CIO in 2008. She was promoted to executive vice president and CIO in 2010. In comparison, the new CIO has "more than 40 years of experience and is a recognized leader in information technology, data security, and business operations," according to Target's press release announcing his appointment (Apr. 29, 2014).

ACTIONS SINCE DATA BREACH

Following the Data Breach, the company has announced technology enhancements to strengthen security across its network. While a new CIO has been appointed, the company is continuing a search for a chief information security officer and a chief compliance officer, in addition to a new CEO. For shareholders who have seen the value of their investment decline by over 10 percent, this might appear to be a case of "too little too late." The addition of these "new" positions raises serious concern about how Target could have been running a business of its size and complexity without these permanent roles.

At the board level, shareholders may well question the effectiveness of the Lead Independent Director as a robust counterbalance to the combined roles of chairman and CEO while Steinhafel served in that role. Further, following the significant impact of the Data Breach on the company's reputation, financials, and shareholder value, the decision not to permanently separate the role of chairman of the board is puzzling; the dual role of CEO and chairman does not appear to have served shareholders well in ensuring independent oversight of management.

DISCUSSIONS WITH TARGET

In discussions with ISS, the company states that the Data Breach highlighted to the board the need for greater IT/cybersecurity. Additionally, the company acknowledged the need for more stringent internal capabilities to identify potential risks with less reliance on external reports which suggested that systems were robust enough. The board asserted that following the breach, the review of all risk matters is being monitored at the board level, with the Audit and Corporate Responsibility Committees having immediate oversight; as a result of this oversight, the company has identified the need for the two new positions noted above. Further, the company confirmed that the position of CIO would continue to report to the interim CEO (and the new CEO once appointed).

CONCLUSION

The Data Breach revealed that the company was inadequately prepared for the significant risks of doing business in today's electronic commerce environment. The responsibility for oversight of these risks lies squarely with the Audit Committee and the Corporate Responsibility Committee – they are specifically tasked with risk assessment and risk management, including the risk of fraud, and oversight of reputational risk. It appears that failure of the committees to ensure appropriate management of these risks set the stage for the Data Breach, which has resulted in significant losses to the company and its shareholders.

While the committees have taken certain actions since, these appear largely reactionary in nature, suggesting that the committees failed to appropriately implement a risk assessment structure that could have better prepared the company for a data breach, and possibly prevented its occurrence in the first place. Hence, a vote AGAINST members of the Audit Committee and the Corporate Responsibility Committee is warranted for the failure to provide sufficient oversight of the risks facing the company that potentially led to the Data Breach and the loss of significant shareholder value.

As such, a vote AGAINST directors Roxanne S. Austin, Mary E. Minnick, Anne M. Mulcahy, Derica W. Rice, Calvin Darden, Henrique De Castro, and James A. Johnson is recommended.

A vote FOR directors Douglas M. Baker, Jr., Kenneth L. Salazar (new nominee), and John G. Stumpf is recommended.

Item 2. Ratify Auditors — FOR

VOTE RECOMMENDATION

A vote FOR this proposal to ratify the company's auditor is warranted.

BACKGROUND INFORMATION

Policies: Auditor Ratification

Vote Requirement: Majority of votes cast (abstentions count as against, broker non-votes not counted).

Discussion

The board recommends that Ernst & Young LLP be approved as the company's independent accounting firm for the coming year.

Accountants	Ernst & Young LLP
Auditor Tenure	83 years
Audit Fees	$4,912,000
Audit-Related Fees	$596,000
Tax Compliance/Preparation*	$2,294,000
Other Fees	$2,142,000
Percentage of total fees attributable to non-audit ("other") fees	21.54 %

*Only includes tax compliance/tax return preparation fees. If the proxy disclosure does not indicate the nature of the tax services and provides the fees associated with tax compliance/preparation, those fees will be categorized as "Other Fees."

The auditor's report contained in the annual report is unqualified, meaning that in the opinion of the auditor, the company's financial statements are fairly presented in accordance with generally accepted accounting principles.

Analysis

This request to ratify the auditor does not raise any exceptional issues, as the auditor is independent, non-audit fees are reasonable relative to audit and audit-related fees, and there is no reason to believe the auditor has rendered an inaccurate opinion or engaged in poor accounting practices.

Item 3. Advisory Vote to Ratify Named Executive Officers' Compensation

FOR

VOTE RECOMMENDATION

A vote FOR this proposal is warranted. Following significant opposition to the 2013 advisory vote on executive compensation, the company disclosed its outreach to shareholders, and implemented changes that reduced CEO compensation as well as appear to strengthen the link between pay and company performance.

BACKGROUND INFORMATION

Policies: Advisory Votes on Executive Compensation

Vote Requirement: Majority of votes cast (abstentions and broker non-votes not counted).

Executive Compensation Analysis

COMPONENTS OF PAY

($ in thousands)	CEO				CEO Peer Median	Other NEOS
	G. Steinhafel		G. Steinhafel	G. Steinhafel		
	2013	**Change**	**2012**	**2011**	**2013**	**2013**
Base salary	1,500	0.0%	1,500	1,500	1,394	3,075
Deferred comp & pension	720		666	674	22	21
All other comp	509	-90.0%	5,068	5,524	173	909
Bonus	0		0	1,250	0	150
Non-equity incentives	0	-100.0%	2,880	2,205	1,949	0
Restricted stock	10,960	101.6%	5,437	5,003	5,736	17,846
Option grant	0	-100.0%	6,953	6,022	2,065	0
Total	**13,689**	**-39.2%**	**22,504**	**22,178**	**12,246**	**22,000**
% of Net Income	0.7%					1.1%
% of Revenue	N/A					0.0%

Non-Performance-based Pay Elements – CEO

Key perquisites ($)	Personal aircraft use: 113,185; Life Insurance: 14,885; CEO Aggregate Perks: 48,054
Key tax gross-ups on perks ($)	None
Value of accumulated NQDC ($)*	42,993,308
Present value of all pensions ($)	1,218,179
Years of actual plan service	34.0
Additional years credited service	None

*Non-qualified Deferred Compensation

Disclosed Benchmarking Targets

Base salary	None Disclosed
Target short-term incentive	None Disclosed
Target long-term incentive (equity)	None Disclosed
Target total compensation	At most the 50th percentile

Severance/Change-in-Control Arrangements (CEO unless noted)

Contractual severance arrangement	Exec Severance Plan
Non-CIC estimated severance ($)	18,421,322

Change-in-Control Severance Arrangement

*Cash severance trigger**	Double trigger
Cash severance multiple	2 times
Cash severance basis	Base Salary + Average Bonus
Treatment of equity	Vest only upon employment termination
*Excise tax gross-up**	No
Estimated CIC severance($)	27,430,525

*All NEOs considered

Compensation Committee Communication & Responsiveness

Disclosure of Metrics/Goals

Annual incentives	Yes
Long-term incentives	Yes

Pay Riskiness Discussion

Process discussed?	Yes
Material risks found?	No

Risk Mitigators

*Clawback policy**	Yes
CEO stock ownership guideline	5X
Stock holding requirements	Until stock ownership guidelines are met

*Must apply to cash incentives and at least all NEOs.

Pledging/Hedging of Shares

Anti-hedging policy	Company has a robust policy
Anti-pledging policy	Company has a robust policy

Compensation Committee Responsiveness

MSOP vote results (F/F+A)	2013: 52.1%; 2012: 83.9%
Frequency approved by shareholders	Annual with 90.7% support
Frequency adopted by company	Annual (year of adoption: 2011)

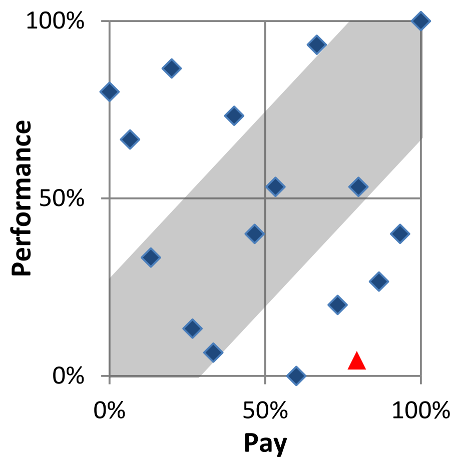
Repricing History

Repriced/exchanged underwater options last FY?	No

Pay for Performance Evaluation

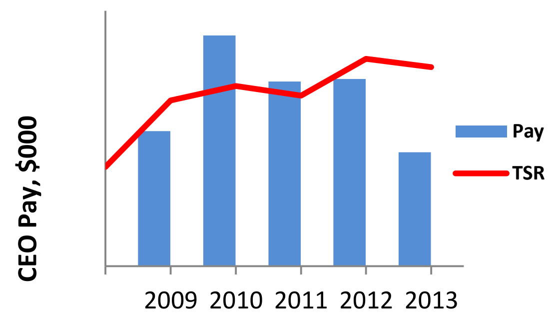
RELATIVE ALIGNMENT

The chart plots percentiles of the annualized 3-year performance and pay rankings for the company (▲) and ISS' derived peers (◆). The gray bar indicates pay and performance alignment.



ABSOLUTE ALIGNMENT

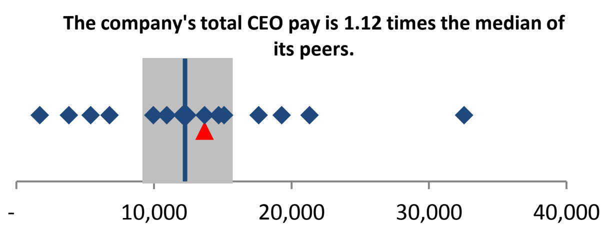
CEO granted pay trends versus value of a $100 investment made on the first day of the five-year period.



	2009	2010	2011	2012	2013
Pay($000)	16,236	27,716	22,178	22,504	13,689
Indexed TSR	167.14	181.56	171.86	208.83	200.62
CEO	Steinhafel	Steinhafel	Steinhafel	Steinhafel	Steinhafel

MAGNITUDE OF PAY

Pay in $thousands. The gray band represents 25th to 75th percentile of CEO pay of ISS' selected peer group with the blue line representing the 50th percentile.



PAY-FOR-PERFORMANCE QUANTITATIVE SCREEN

Measure	Result	Level
Relative degree of alignment	-75	Better than 3% of Companies*
Multiple of peer group median	1.12	Better than 41% of Companies
Absolute alignment	17	Better than 86% of Companies
Initial Quantitative Screen	High Concern	

*Constituents of Russell 3000 index.
For more information on ISS' quantitative pay-for-performance measures, visit http://issgovernance.com/policy/USCompensation

Peer Groups

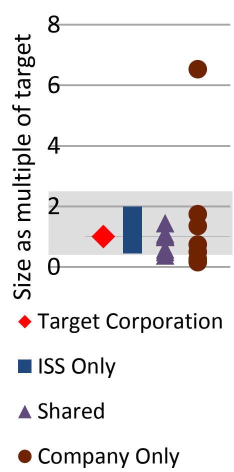
ISS AND COMPANY DISCLOSED PEER GROUPS

ISS-Selected Peers (9)	Archer-Daniels-Midland Company Johnson & Johnson The Dow Chemical Company UnitedHealth Group Incorporated	Comcast Corporation PepsiCo, Inc. The Procter & Gamble Company United Technologies Corporation United Parcel Service, Inc.
Shared Peers (7)	Amazon.com, Inc. Costco Wholesale Corporation Safeway Inc.	Best Buy Co., Inc. Macy's, Inc. The Home Depot, Inc. Walgreen Co.
Company-Disclosed Peers (7)	CVS Caremark Corporation Kohl's Corporation Sears Holdings Corporation Wal-Mart Stores, Inc.	J.C. Penney Company, Inc. Lowe's Companies, Inc. The Kroger Co.

The shaded area represents the overlap group of companies that are in both ISS' comparison group and the company's disclosed CEO compensation benchmarking peer group. More information on the ISS peer group methodology at www.issgovernance.com/policy/USCompensation

PEER GROUP SIZE ANALYSIS

Size (by revenue) of the ISS, company and overlap peer groups. Gray indicates 0.4- 2.5 times the company's revenue.



Short-Term Cash Incentives

CEO STI Opportunities	**FY 2013 (G. Steinhafel)**		**FY 2012 (G. Steinhafel)**	
	Target	**Maximum**	**Target**	**Maximum**
STI targets ($)	2,250,000	6,000,000	2,250,000	6,000,000
STI targets (calculated)	150% of base salary	400% of base salary	150% of base salary	400% of base salary
STI targets (as disclosed)	150% of base salary			
ISS peer median	160% of base salary			
Company peer median	175% of base salary			

Actual Payouts ($)	**FY 2013 (G. Steinhafel)**		**FY 2012 (G. Steinhafel)**	
	Amount	% of base salary	Amount	% of base salary
Bonus	0	0	0	0
Non-equity incentive	0	0	2,880,000	192
Total Bonus + Non-equity	0	0	2,880,000	192

STI Performance metrics/goals

Metric	**Form**	**Weight**	**Threshold**	**Target**	**Maximum**	**Actual**
Incentive EBIT	Absolute	50%	$5,186 million	$5,459 million	5% above target	Below threshold
Incentive EVA	Absolute	50%	$536 million	$712 million	5% above target	Below threshold

Other Short-Term Incentive Factors

Performance results adjusted?	For fiscal 2013, Incentive EBIT and Incentive EVA included both the U.S. and Canadian segments
Discretionary component?	NEOs (excluding the CEO) are awarded personal performance payments based on a personal performance review score
*Discretionary bonus paid?**	No
Future performance metrics	Not disclosed

*Based on the Bonus column in the SCT; per SEC rules, amounts disclosed in this column were not based on pre-set goals.

Long-Term Incentives

CEO's last FY LTI target (%)	539% of base salary
NEOs last FY award type(s)	Performance-based stock

Most recent performance metrics/goals

Metric	**Threshold**	**Target**	**Maximum**
Performance Share Units			
ROIC vs. retail peer group[1]	Rank 7-12	Rank 6	Rank 1-3
EPS growth vs. retail peer group	Rank 7-12	Rank 6	Rank 1-3
Change in market share vs. retail peer group	Rank 7-12	Rank 6	Rank 1-3
Performance Based Restricted Stock Units			
3-yr TSR vs. retail peer group	11-15	6-10	1-5

1. added as of 2014; Retail peer group is 15 companies including Target

Long-Term Equity Grants

CEO Equity Awards	**FY 2013**				**FY 2012**			
	Shares (#)	**% shares***	**Value ($)***	**% value**	**Shares (#)**	**% shares**	**Value($)***	**% value**
Time-based shares	0	0	0	0	48,570	8	2,937,514	24
Time-based options	0	0	0	0	544,486	86	6,953,086	56
Performance shares	171,521	100	10,960,098	100	42,655	7	2,499,583	20
Performance options	0	0	0	0	0	0	0	0
Total equity	171,521		10,960,098		635,711		12,390,183	

Option/restricted stock vesting	N/A (only performance based awards granted)
*CEO equity pay mix (by value)**	Performance-based: 100%; Time-based: 0%

*Performance shares, if any, are counted and valued at target.

Other Long-Term Incentive Factors

Performance results adjusted?	The Canadian segment is excluded from market share change and EPS growth because inclusion may have caused an inappropriately low baseline from which to measure performance, and included in ROIC to ensure participants are held accountable for the significant startup investment related to this key growth initiative. The one-time gain driven by the sale of the “held for sale” credit card receivables to TD Bank Group (TD) at par value, one-time gain due to the recognition of a beneficial interest asset, which effectively represented a receivable for the present value of future profit-sharing Target expected to receive on the receivables sold, quarterly reductions to the beneficial interest asset relating to profit-sharing payments received from TD, and transaction fees and debt repurchase associated with the deal were excluded
Discretionary component?	No

Executive Summary

Evaluation Component	**Level of Concern**	**Key Reasons**
Non-Performance-Based Pay Elements	**Medium**	Above-Market Interest on Deferred Compensation
Peer Group Benchmarking	**Low**	
Severance/CIC Arrangements	**Low**	
Comp Committee Communication/Responsiveness	**Low**	
Pay for Performance Evaluation	**Medium**	P4P Misalignment with Mitigating Factors
ISS Recommendation: **FOR**		

COMPENSATION COMMITTEE RESPONSIVENESS

Target shareholders approved the 2013 advisory vote on executive compensation; however, the proposal received the support of just 52.1 percent of the votes cast signaling significant shareholder discontent with executive compensation practices at the company. The company discloses that, following the 2013 vote, it held a meeting or hosted calls with shareholders representing approximately 40 percent of the shares voted to "listen to concerns about our executive compensation plans and governance." The proxy statement provides a tabular discussion of the feedback received, and the compensation committee's actions in response. Key changes include the following:

1. Recalibrating the former CEO’s total at-goal compensation package, resulting in a target level that was below the median compensation level of the combined retail and general industry peer groups for 2013;
2. Reducing the annual long-term incentive (LTI) grant for the former CEO to $8 million, representing a reduction of $3.75 million from prior year.
3. Increasing use of performance share units (PSUs) by removing stock options and increasing PSUs from 25 percent to 75 percent of annual LTI mix. In addition, the company also added a third relative metric, return on invested capital (ROIC), to the PSU plan.

4. Adding performance-based restricted stock units (PBRSUs) tied to relative TSR as 25 percent of annual LTI mix.
5. Eliminating the age-acceleration feature from the former CEO’s pension plan with no replacement value.

As a direct result of these changes, total CEO compensation reported for 2013 represents a significant decrease over 2012 compensation. Further, the increase in the percentage of performance-based long-term incentives appears to strengthen the alignment of pay and company performance. Hence, based on the disclosure of the shareholder outreach and the changes implemented, it appears that the compensation committee has responded sufficiently to the significant shareholder opposition in 2013.

PAY FOR PERFORMANCE ANALYSIS

While CEO Gregg Steinhafel resigned as CEO effective May 5, 2014, ISS considers his compensation for fiscal 2013 as the basis for the analysis below.

ISS' quantitative screen indicates that CEO pay has outranked company TSR relative to a peer group of companies similar in size and industry over the past three fiscal years. ISS' qualitative analysis of the company's compensation practices highlights the following salient factors:

No annual incentives were paid out as the company failed to meet the required threshold performance on both metrics underlying the Short Term Incentive Plan ("STIP"). For 2013, the company failed to meet the threshold performance required for any payout under the STIP for both the EBIT and EVA metrics. As a result, the CEO did not receive any payout under the STIP. While the STIP provides for a Personal Performance payment which corresponds to a predetermined percentage of base salary tied to a payout matrix for each personal performance review score, the CEO is excluded from receiving payments under this component.

Note also that 2011-2013 LTI awards paid out at 77 percent of target, due to the company's below goal performance on market share and EPS growth relative to peers.

Long-term incentives for 2013 were modified to be entirely performance-linked, although goal rigor could be improved. As discussed in the Compensation Committee Responsiveness section above, in response to shareholder feedback and following the 2013 advisory vote on executive compensation, the company reduced the magnitude of long-term incentives granted to the CEO. In addition, the company replaced time-vested equity awards with Performance Shares Units ("PSUs" – weighted 75 percent) and Performance Based Restricted Stock Units ("PBRSUs" – weighted 25 percent). For 2014, the company added a third metric (ROIC) to the PSU plan to "ensure that the plan payout reflects the same key metrics we use to manage our business and drive shareholder returns over time." The company introduced PBRSUs as of January 2014, which would vest based on relative three-year TSR performance. The PBRSUs have both upside and downside, but a minimum of 75 percent of the target shares awarded will be paid, even if the company's performance ranks in at the bottom of the peer group. The target payout – achieved for a TSR ranking between 6 and 10 (inclusive) out of 15 -- is reasonably performance-based; and the potential upside if the company significantly outperforms peers (ranking at 5 or above) is more limited than many similar plans, as it would result in payout of 125 percent of the target award level (while many plans provide upside to 150 percent or 200 percent of target). Nevertheless, the minimum level could result in executives being rewarded while shareholder value is eroded.

OTHER CONSIDERATIONS

The company provided above-market earnings on portion of deferred compensation. As noted in prior years, Target transfers changes in pension lump sum balances into (or out of) executives' deferred compensation accounts on an annual basis and thus changes in the value are reflected in "All Other Compensation." These values have been high in recent years as a result of an early retirement subsidy, whereby CEO Steinhafel's age was credited with five additional years, accelerating the pension formula between the ages of 55 and 60. This concern is at least partially mitigated by the fact that Steinhafel was the only remaining participant in the legacy pension plan. Further, Steinhafel voluntarily relinquished his right to this benefit and the board approved the elimination of this feature of his supplemental pension plan effective Feb. 3, 2013. The elimination of this feature created a reduction in benefit of $1.52 million for 2013.

Severance benefits for outgoing CEO are in line with existing program. In connection with Steinhafel's departure from Target (deemed an involuntary termination without cause), he is eligible to receive severance benefits under Target's Income Continuance Policy ("ICP"). In accordance with the ICP, as a condition to severance payment eligibility, Steinhafel must sign an agreement that includes a non-solicitation clause and a release of claims, and provides that severance payments may be recovered and that any outstanding equity awards held by him may be terminated if he becomes employed by specified competitors. Steinhafel has agreed to remain employed by Target in an advisory capacity to assist with the transition through no later than Aug. 23, 2014. During this advisory period, he will continue to receive the same base salary and benefits that were in effect on the date he stepped down as president and CEO. In addition, due to Steinhafel's age and years of service with Target, under the pre-existing program he will remain eligible for a fiscal 2014 short-term incentive opportunity under the STIP based on Target's actual financial performance, with the cash payout, if any, pro-rated based on his length of employment during the year. The board determined that the amount of the short-term incentive payout opportunity for the portion of the payout, if any, attributable to the advisory period will be based on the same terms as in effect on the date he stepped down as president and CEO.

As disclosed in the proxy statement, Steinhafel's post-termination benefits consist of severance payments under the ICP (which provides for a maximum benefit equal to 2-times the sum of base salary and the average of the last three years' bonus payouts); the right to continued above-market interest under the legacy officer deferred compensation plan that was frozen to new participants and further compensation deferrals in 1996; accelerated vesting of 50 percent of his RSU awards, and forfeiture of the remaining 50 percent; and accelerated vesting of 50 percent of the target payout level of PBRSU awards, and forfeiture of the remaining 50 percent. According to the proxy, his total severance benefits have an approximate value of $15 million, including the impact of his repayment of enhanced SERP benefits due to receiving a severance package.

CONCLUSION

Following significant opposition to the 2013 advisory vote on executive compensation, the company disclosed outreach to a substantial percentage of votes cast. In response to the feedback from shareholders, the company implemented changes to the CEO's compensation that reduced magnitude of compensation as well as demonstrated a stronger link to company performance, with no bonuses paid when goals were not met. These actions constitute a sufficient response to the significant shareholder opposition as well as mitigate the potential concern regarding long-term misalignment of pay and company performance. Hence, a vote FOR this proposal is warranted.

Item 4. Eliminate Perquisites

AGAINST

VOTE RECOMMENDATION

A vote AGAINST this proposal does not warrant shareholder support as it is overly prescriptive, and could place the company at a competitive disadvantage.

BACKGROUND INFORMATION

Policies: Disclosure/Setting Levels or Types of Compensation for Executives and Directors

Vote Requirement: Majority of votes cast (abstentions count as against, broker non-votes only count as against if quorum is not met).

Discussion

PROPOSAL

Richard J. Will, holder of more than $2,000 of common shares, has submitted this item requesting that the company eliminate perquisites for all NEOs effective 2015. The resolution reads:

"I request that Target Corporation's Board of Directors and Compensation Committee cease paying for perquisites for all named executives of the corporation starting in fiscal year 2015."

Shareholder's Supporting Statement

The proponent does not believe that Target's NEOs have demanded these perquisites nor would they be unable to afford them. While noting that the value of perquisites is small compared to other categories of compensation, the proponent believes that perquisites can have the potential to be excessively costly to shareholders if additional perquisites are covered in the future.

BOARD'S STATEMENT

The board argues that perquisites to executive officers primarily allow them to devote more time to the company's business, and promote their health, safety, and security. Further, all perquisites are taxable to the executive officers and no tax gross-ups are provided. The Compensation Committee reviews the level of perquisites on an annual basis, and believes the perquisites Target offers are consistent with market practice. Finally, the board states that eliminating perquisites would put the company at a competitive disadvantage by eliminating a common pay element offered by many retail and general industry peers.

Analysis

ISS agrees that setting the CEO's compensation is one of the board's key responsibilities. The annual Compensation Committee report allows shareholders to review the board's compensation policies and to hold the board or committee members accountable for their actions. Market forces and an accountable board are the best modulators of executive compensation levels.

Adoption of such a unilateral policy could infringe on the compensation committee's ability to structure an executive's pay package, and potentially place the company at a competitive disadvantage. Given the overly restrictive and prescriptive nature of the proposal, a vote AGAINST is warranted.

Item 5. Require Independent Board Chairman — FOR

VOTE RECOMMENDATION

A vote FOR this proposal is warranted. While the company has a lead independent director with significant authority, a substantially independent board, completely independent key committees, and publicly disclosed corporate governance guidelines, it has underperformed its GICS industry group on a one-, and three-year TSR basis. Further, as noted above, the company experienced a data breach which has had significant impact on brand value, exposed a failure in the board's risk oversight role, raised concerns regarding the lead director's independent oversight of management, and contributed to the erosion of shareholder value. Given the TSR underperformance and the potential lack of oversight at the company, a vote FOR this proposal is warranted.

BACKGROUND INFORMATION

Policies: Independent Chair (Separate Chair/CEO)

Vote Requirement: Majority of votes cast (abstentions count as against, broker non-votes only count as against if quorum is not met)

Discussion

PROPOSAL

John Chevedden, holder of more than $2,000 of common shares, has submitted a precatory resolution to request that the company adopt a policy that the chair of the board be an independent director. The resolution reads:

"RESOLVED: Shareholders request that our Board of Directors to adopt a policy, and amend other governing documents as necessary to reflect this policy, to require the Chair of our Board of Directors to be an independent member of our Board. This independence requirement shall apply prospectively so as not to violate any contractual obligation at the time this resolution is adopted. Compliance with this policy is waived if no independent director is available and willing to serve as Chair. The policy should also specify how to select a new independent chairman if a current chairman ceases to be independent between annual shareholder meetings."

PROPONENT'S STATEMENT

The proponent argues that the board's ability to monitor CEO performance is hindered by the CEO serving as board chairman. The proponent notes that many companies already have an independent chairman, and that it is the prevailing practice in the United Kingdom and many international markets.

The proponent believes that this topic is particularly important for Target given that the Lead Director received the highest negative vote; the proponent further points to the long tenure of directors and the possible over-extension of certain directors.

Finally, the proponent believes that the proposal should be evaluated in light of the company's "clearly improvable corporate governance performance," citing compensation and takeover defense concerns.

BOARD'S STATEMENT

The board believes that any decision to maintain a combined Chair/CEO role or to separate these roles should be based on the specific circumstances of a corporation, the independence and capabilities of its directors, and the leadership provided by its CEO. The board does not believe that separating the roles of Chair and CEO should be mandated or that such a separation would, by itself, deliver additional benefit for shareholders.

Further, the board believes that its current leadership structure and governance practices allow it to provide effective, independent oversight of the company, citing:

- the requirement to have a Lead Independent Director whenever the roles of chair and CEO are combined;
- the Lead Independent Director is elected annually by the independent non-management directors;

- Independent directors meet frequently in executive sessions that are presided over by the Lead Independent Director with no members of management present; and
- The chairpersons and all members of the key board committees are independent directors.

The board points out that while the CEO has historically also served as chair, in connection with the recent departure of the former CEO, the board elected an independent interim chair. The interim chair has primary responsibility for leading the board. However, because no decision has yet been made to make the role of independent chair permanent, the board determined that the role of Lead Independent Director should remain to provide continuity during this period of transition. The board expects to revisit the leadership structure in connection with the appointment of a permanent CEO.

LEAD DIRECTOR DUTIES

An independent Lead Director with clearly delineated duties is a necessary counterbalance to a combined CEO/Chairman role. At this company:

The lead director presides at all meetings of the board at which the Chairman is not present, including executive sessions of the independent directors?	Yes
The lead director serves as liaison between the chairman and the independent directors?	Yes
The lead director approves information sent to the board?	Yes
The lead director approves meeting agendas for the board?	Yes
The lead director approves meeting schedules to assure there is sufficient time for discussion of all agenda items?	Yes
The lead director has the authority to call meetings of the independent directors?	Yes
The lead director, if requested by major shareholders, ensures that he is available for consultation and direct communication?	Yes

Analysis

Although ISS recognizes that many large companies maintain the combined posts of chairman and CEO and perform well with this arrangement, it is often in shareholders' best interest to separate these positions. One of the board's primary responsibilities is to represent the interests of shareholders. In addition, the board is responsible for overseeing management and instilling accountability. Conflicts of interest may arise when one person holds both the chairman and CEO positions. The financial crisis underscored the need for effective board oversight, which may be enhanced by independent leadership.

Support for this shareholder proposal averaged 32.3 percent of votes cast for and against in 2013, down from 35.3 percent in 2012. As of the end of June 30, 2013, 22 percent of S&P 500 companies had an independent board chair, compared with 21 percent in 2012.

At Target, a substantially similar proposal submitted at the 2013 annual meeting received the support of 37.6 percent of the votes cast (FOR and AGAINST only).

ISS will generally recommend FOR shareholder proposals requiring that the chairman's position be filled by an independent director, unless there are compelling reasons to recommend against the proposal, such as a counterbalancing governance structure.

COMPANY-SPECIFIC ANALYSIS

Lead Director Duties

ISS first examines whether or not the company has a lead director performing the duties listed above and whether the lead director is elected by and from the independent board members.

In this case, the company has an independent lead director who performs all the following duties: presiding at all meetings of the board at which the chairman is not present, including executive sessions of the independent directors; serving as a liaison between the chairman and the independent directors; approving information sent to the board; approving meeting agendas for the board; approving meeting schedules to assure there is sufficient time for discussion of all agenda items; calling meetings of independent directors, and; if requested, making himself available for consultation and direct communication with major shareholders. While in previous years, the lead director was appointed by the board, the governance guidelines were updated to provide that the independent non-management directors annually elect the lead independent director.

Governance Features

Next, ISS reviews whether or not the company has a two-thirds independent board, all independent key committees, and established governance guidelines. In this case, 90 percent of the board's directors are independent, all key committees are entirely independent, and the company has publicly disclosed corporate governance guidelines.

TSR Performance

ISS also examines the company's TSR performance. ISS also considers whether there has been a change in the chairman/CEO position within the past three years. In this case, the company's one- and three-year TSR are -3.93 percent, and 3.38 percent, respectively, compared to the four-digit GICS industry TSR of 16.16 percent and 16.03 percent, respectively. Hence, the company's TSR performance has underperformed its GICS industry group on a one- and three-year TSR basis. Currently independent director Roxanne S. Austin serves as interim chairman following the resignation of Gregg Steinhafel, while director James A. Johnson continues to serve as Lead Independent Director. While there has been a change in the chair position in 2014 and the search for a permanent CEO is on-going, Steinhafel served as chair and CEO from 2010 until his termination in May 2014.

Problematic Governance Issues

Finally, ISS considers if the company has any existing problematic governance issues. As noted in the Material Company Updates section above, the company experienced a data breach in which an intruder stole certain payment card and other guest information from its network. As a result, the CEO and CIO have left those posts, and a search is ongoing for a new CEO. As mentioned in Item 1 above, ISS is recommending AGAINST certain directors for the failure to provide sufficient oversight of the risks facing the company that potentially led to the data breach and the loss of significant shareholder value. Shareholders also may be apprehensive about whether the position of lead independent director is able to effectively provide independent oversight of management, especially given the issues highlighted over the past two years.

CONCLUSION

While the company currently has an interim independent chair, it does not have a policy that permanently requires an independent chair. After a review of each of the points above, ISS has determined that the company has a lead independent director with significant authority, a substantially majority independent board, completely independent key committees, and publicly disclosed corporate governance guidelines. However, the company has significantly underperformed its GICS industry group on a one- and three- year TSR basis. We further note that the company also underperformed on a five-year TSR basis and the company's one-year TSR was negative.

Importantly, the company experienced a data breach which has had significant adverse impact on its reputation and shareholder value and exposed a potential failure in the board's risk oversight. Shareholders may reasonably question the effectiveness of the Lead Independent Director as a robust counterbalance to the combined roles of chairman and CEO at the time Steinhafel served in that role. In light of the significant impact of the data breach, the prior board leadership structure does not appear to have served shareholders well in ensuring independent oversight of management. The board's decision to appoint an interim independent chair as part of a leadership transition is a step in the right direction. The proponent asks the board for a permanent commitment to an independent chair structure, which appears reasonable. Given the company's TSR underperformance and the potential lack of oversight at the company, the adoption of a policy to have an independent chairman is warranted.

Item 6. Cease Discrimination in Hiring, Vendor Contracts, or Customer Relations

AGAINST

VOTE RECOMMENDATION

A vote AGAINST this resolution is warranted based on the company's current disclosure of its diversity and fair employment policies, practices, and initiatives, and because of the benefits to the company from maintaining a diverse workforce and an inclusive work environment.

Vote Requirement: Majority of votes cast (abstentions count as against, broker non-votes only count as against if quorum is not met).

Discussion

In Brief: This proposal, requesting adoption of a policy to prohibit discrimination or preferential treatment in hiring, vendor contracts, or customer relations, is unique to Target. The proposal appears to be prompted by the proponent's concerns that Target's employment and supplier diversity policies create disadvantages for certain groups of people while creating advantages for others.

PROPOSAL

Thomas Strobhar has submitted a precatory proposal requesting that the company adopt a policy to prohibit discrimination against, and prohibit discrimination for, persons based on race, religion, gender, or sexual orientation in hiring, vendor contracts, or customer relations.

The resolution specifically requests:

"The shareholders request the Board of Directors to institute the following policy:

There shall be no discrimination against or discrimination for persons based on race, religion, gender, or sexual orientation in hiring, vendor contracts or customer relations, except where required by law."

SHAREHOLDER'S STATEMENT

In his statement supporting the resolution, Strobhar states that the country was established on the principle of equality and that discriminatory practices dishonors the Americans that have died to defend this principle. The proponent asserts that we cannot discriminate "for" a group of people without discriminating "against" others.

BOARD'S STATEMENT

In the board's statement opposing the proposal, it reports that the company already has implemented policies and practices, such as the company's equal opportunity policy and Standards of Vendor Engagement, which address the proposal. The company states that the proposal seeks to restrict its policies and practices to those only required by law, and would put the company at a competitive disadvantage by interfering with its ability to structure its policies to attract and retain a diverse pool of employees and vendors. The board contends that the diversity of its employees creates a unique, inclusive culture that gives the company a competitive advantage and that diversity in suppliers and business partners help the company's stores reflect their communities.

Analysis

Target discusses the company's diversity-related policies and initiatives on the employment, career, and supplier pages of its website. Target's 2012 Corporate Responsibility Report also has a section on Diversity and Inclusion.

Target's Website: Diversity, Inclusion, and Supplier Diversity

On the Culture webpage of the Careers section of Target's website, the company provides a brief discussion of diversity and inclusion at the company. Target states:

> "At Target, we recognize that each of us is unique and that our differences are our greatest strength. These differences are reflected in how we see the world, think and learn, approach work and relate to others. They may also include race, ethnicity, gender, gender identity or

> expression, language, citizenship status, sexual orientation, age, physical abilities, religious beliefs, military status, political convictions, socio-economic status and education."

Target states that, "[i]nclusion is about creating an environment where everyone feels welcome, valued and respected" and that, "[f]ostering an inclusive culture is a core value that's integrated into every aspect of our business"

The Team Members section of Target's website has a section dedicated to Diversity and Inclusion, where the company provides information on its diversity initiatives and the outside organizations, such as Catalyst and the Hispanic Scholarship Fund, which the company works with on related efforts.

On Target's Suppliers webpage the company addresses supplier diversity and lists a number of outside organizations with which the company reports that it works to develop diverse supplier relationships. Regarding supplier diversity, the company states:

> "At Target, we recognize the value of investing in communities where we do business. We're committed to supplier diversity because we believe it's [sic] good business."

Target's 2012 Corporate Responsibility Report

Target's 2012 Corporate Responsibility Report has a section on Diversity and Inclusion. In it, the company provides a discussion of some of the company's diversity initiatives and related external partnerships. The company also provides diversity metrics, including a comparison of diversity at Target and the population of the United States; and the racial/ethnic and gender diversity of Target's total workforce, Executive Committee, and board.

Proxy Statement Response

In Target's proxy statement response to the proposal, the company states, that under its equal opportunity policy, its employment practices are "implemented without regard to race, color, national origin, sex (including pregnancy), religious beliefs, age, disability, sexual orientation, gender identity or expression, citizenship status, military status, genetic information or any other basis protected by federal, state or local fair employment practice laws."

Target also notes that the company has a Vice President of Diversity & Inclusion.

CONCLUSION

Thomas Strobhar is requesting Target adopt a policy to prohibit discrimination against, and prohibit discrimination for, persons based on race, religion, gender, or sexual orientation, in hiring, vendor contracts, or customer relations. Target contends that the company already has implemented policies and practices which address the proposal and that the diversity of its employees and suppliers creates a competitive advantage and helps the company's stores reflect their communities.

Target discusses the company's diversity and fair employment policies, practices, and initiatives on the company's website and in the company's 2012 Corporate Responsibility Report. Target's current equal employment opportunity policies include characteristics noted in the resolution, such as race, religious belief, sex, and sexual orientation, among a number of others. In addition, Target, as a company with substantial interaction with consumers and the general public, and stores in a variety of communities, benefits from having a diverse workforce and having policies that reinforce an inclusive work environment and culture. As such, management should be given an appropriate level of flexibility to achieve these goals. Therefore, this resolution does not warrant shareholder support.

Equity Ownership Profile

Type	Votes per share	Issued
Common Stock	1.00	633,495,358

Ownership - Common Stock	Number of Shares	% of Class
SSgA Funds Management, Inc.	58,892,154	9.30
The Vanguard Group, Inc.	35,216,295	5.56
Fidelity Management & Research Co.	33,719,144	5.33
Massachusetts Financial Services Co.	25,464,223	4.02
Barrow, Hanley, Mewhinney & Strauss LLC	22,899,693	3.62
BlackRock Fund Advisors	22,783,859	3.60
Magellan Asset Management Ltd.	15,162,001	2.40
Brown Brothers Harriman & Co. (Investment Management)	12,389,874	1.96
Franklin Advisers, Inc.	10,253,738	1.62
Northern Trust Investments, Inc.	9,412,460	1.49
Hotchkis & Wiley Capital Management LLC	8,156,355	1.29
Mellon Capital Management Corp.	7,832,159	1.24
Invesco Advisers, Inc.	6,883,450	1.09
Franklin Advisory Services LLC	5,826,300	0.92
Wells Fargo Advisors LLC	5,600,598	0.89
Norges Bank Investment Management	4,968,518	0.79
Geode Capital Management LLC	4,683,601	0.74
Wells Fargo Bank NA (Private Banking)	4,328,097	0.68
Fayez Sarofim & Co.	4,040,056	0.64
ClearBridge Investments LLC	3,938,484	0.62

Additional Information

Meeting Location	Union Station located at 400 South Houston Street, Dallas, Texas 75202
Meeting Time	13:30
Shareholder Proposal Deadline	January 20, 2015
Solicitor	Georgeson Inc.
Security IDs	87612E106(CUSIP)

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