



## Target AgWater Challenge Commitments

### **Background & Context**

Global pressures on freshwater are growing, and climate change, rapid urbanization and population growth will further challenge global freshwater resources.

Our products are made from a variety of raw materials and relative to others, some agricultural raw materials have greater impacts on freshwater resources. As a company with a global supply chain, Target seeks to better manage freshwater in agriculture to provide our guests with more sustainable products, while positively impacting local communities.

### **Responsible Sourcing: Standards of Vendor Engagement**

Target is committed to responsible business conduct. Respect for human rights, environmental stewardship and animal welfare are fundamental principles of our business practices and standards. Our Standards of Vendor Engagement require all suppliers<sup>1</sup> to abide by require all suppliers to abide by international and local laws including water stewardship requirements.

We work with industry partners and experts on ways to reduce the environmental impact of our products, from packaging to transporting them to our stores. Our aim, working with our partners, is to create better tools and more efficient processes for producing our products over time, and to use what we learn to improve our own practices.

Target monitors the water risks in our supply chain in multiple ways. Examples include:

**Environmental Management and Monitoring Systems:** Suppliers must have environmental monitoring systems which accurately measure and track operational and production impacts to air, water and any other environmental system which may be deemed necessary.

**Water Stewardship:** Suppliers must identify, characterize and inventory all wastewater streams on an ongoing basis. In addition, suppliers must install and maintain appropriately sized wastewater treatment systems to ensure pollutants are at or below legally required levels. We will not tolerate suppliers with undersized, bypassed, or inoperable wastewater treatment systems.

### **Initiatives to Support Agriculture Water Stewardship**

We want to be a trusted partner across the value chain in identifying the sustainability challenges our partners face, and work with them to design and implement solutions.

In advance of joining the Ceres-WWF AgWater Challenge, we were making important strides in the following key focus areas:

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<sup>1</sup> Includes vendors, suppliers, manufacturers, contractors, subcontractors and their agents.



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### **Sourcing fiber in ways that support sustainable communities and natural resources.**

In 2017, Target committed to sourcing 100 percent sustainable cotton by 2022 for our owned brands and exclusive national brands in apparel, home and essentials, and introduced a new cotton policy to help guide the way. We hope to use our size, scale and influence to help the cotton industry tackle some major environmental and social challenges, while growing our investment in transparent sources.

Target is engaged with the Better Cotton Initiative (BCI) and Organic and Cotton LEADS as preferred programs, as they currently best support Target's definition of sustainable cotton<sup>2</sup>.

### **Reducing food waste.**

In an effort to positively impact the communities in which we serve and operate, Target surpassed its goal to divert 70 percent of retail waste from landfills four years early, and donated more than 76 million pounds of food, equivalent to 64 million meals. Managing food waste is an important part of our overall waste diversion strategy. As a member of The Consumer Goods Forum, we adopted its Food Waste Resolution, committing to halve Target's food waste within our operations by 2025.

### **New AgWater Challenge Commitments**

In alignment with the AgWater Challenge framework, Target is making the following new commitments to strengthen our ability to address water risks in key agriculture supply chains:

#### **Water Risk Assessments.**

With support from the World Wildlife Fund (WWF), Target first completed a water risk assessment in the fall of 2017. WWF analyzed Target's owned-brand supply chains using 50 indicators across four macro risk themes: supply security and governance; social; and environmental, and financial. These results were evaluated in conjunction with WWF Water Risk Filter results, purchase volume information, and insight on Target's business. From this analysis, we identified four agricultural areas that warrant deeper investigation and focus: cotton, meat, dairy and produce.<sup>3</sup>

With cotton work already underway, guided by [our cotton policy](#), we commit to complete the following in 2019 for the three remaining agriculture supply areas (meat, dairy and produce):

- Identify strategic and high-risk basins for more detailed water risk assessment;
- Identify where we can collaborate with local stakeholders and key partners; and

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<sup>2</sup> Target's definition of sustainable cotton includes: 1) Maximized water efficiency, 2) Optimized inputs and chemical use 3) Improved soil health 4) Ethical working conditions

<sup>3</sup> Meat includes beef/poultry/pork primary products (not items where meat is an ingredient); Dairy includes fluid milk, plant and nut-based milk, and eggs (not value-added items such as yogurt and butter); Produce includes fruits and vegetables.



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- Develop water risk briefs for use by merchandising teams to: 1) build their understanding of water challenges in our agriculture supply chains and 2) empower them to incorporate water risk considerations into their business decisions.

### Commitments to Best Practice Industry Initiatives.

**Beef:** In the summer of 2018, Target joined the US Roundtable for Sustainable Beef (USRSB) - a multi-stakeholder initiative developed to advance, support and communicate continuous improvement in U.S. beef value chain sustainability. In joining, we also signed onto the platform's Retail/Food Service Sector foundational commitment which recognizes: *"the importance of maintaining intact grasslands and supports the adoption of grazing management plans as described in the USRSB cow/calf sector metrics. The most material way for retail and food service companies to positively influence the stewardship of land resources is to first understand their beef supply chains and then to use clear and effective sourcing policies."*

**Feed for Meat and Dairy:** Target also recently joined Field to Market: The Alliance for Sustainable Agriculture to help the food and agricultural supply chain benchmark sustainability performance, catalyze continuous improvement, and enable brands and retailers to characterize the sustainability of key sourcing regions. We know that the feed needed for our meat and dairy supply chains depends on water availability and can impact water quality. Our engagement will allow us to better navigate the complexity of US row crop supply chains and identify partners to help drive greater water stewardship and soil health in key sourcing regions.

**With partners, drive innovation and support farmers.** We commit to helping suppliers improve water stewardship in key agriculture areas – cotton, meat, dairy and produce - with a focus on sourcing regions that are high water risk.

**Reducing Agricultural Runoff into the Mississippi River Basin.** Target will collaborate with a minimum of two partners on one to two Field to Market Fieldprint Projects on farms (primarily corn and soy) within the Mississippi River Watershed by the end of 2019. Through the Field to Market Fieldprint R Platform, identified suppliers will build in time-bound measurable goals to improve soil health across corn and soy acres and ensure progress on water quality is made by reducing agricultural runoff in the Mississippi River Basin.

Additionally, through these projects, Target will support participating growers and value chain members to gain and share valuable insights about the impacts and benefits of their management decisions to their bottom line and across key issue areas, with an emphasis on water quality improvements.



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**Advancing Resilient Water Solutions in California through Collective Action.** After completing a water risk assessment for our direct operations, California was identified as a key risk geography for freshwater stewardship efforts. We also know California continues to be an important sourcing territory for Target's food business.

This past spring, Target joined [Ceres' Connect the Drops campaign](#) to elevate the voice of California businesses in advancing resilient water solutions that ensure sustainable management of the state's stressed, and often unpredictable water supplies. As a part of Target's commitment to this initiative, Target commits to engaging with the Connect the Drops campaign and sharing progress made through these efforts on an annual basis.

Target also recently became a member of the [California Water Action Collaborative \(CWAC\)](#) and is committing within its first six months of membership to engage in a platform project that touches one of our agriculture supply chains in the state.

**Driving Innovation on Cotton Sustainability.** In 2017, Target and the Center for the Advancement of Science in Space (CASIS) launched the ISS Cotton Sustainability Challenge to advance science and research innovations and disseminate learnings to make cotton farming more effective and sustainable. This spring, we committed \$1 million to support projects to advance cotton sustainability.

**Reviving Feed and Seed Markets to Grow Small Grains in the Corn Belt.** Practical Farmers of Iowa (PFI) and the Sustainable Food Lab (SFL) have identified strong farmer interest in growing small grains as a third crop in the corn and soybean rotation, but lack of secondary markets is a key barrier to producing small grains in ways that drive landscape level change. This effort convenes food, feed and seed companies to gauge the feasibility of creating a market pull around multi-commodity rotations for improved soil health. By 2021, the initiative will deliver 20,000 acres of corn and soybeans grown in rotation with small grains plus a legume cover crop, conduct three small grains feeding feasibility studies with major animal protein companies, and result in more robust water quality and soil health data on extended rotations.

Over the course of the next three years, Target will help with this initiative to evaluate feeding trial data, including water, soil, and climate metrics, alongside farm economics. Target will seek opportunities to leverage this data, share insights, and lead work to convene other companies and supply chain partners. The goal is to develop a roadmap to scale the addition of a new feed ingredient to livestock rations and support future development of small grains as part of a market solution for climate and water protection.

**Transparency and Disclosure of Progress.** We also commit to reporting our progress annually through our annual Corporate Responsibility Report and Carbon Disclosure Project (CDP) water questionnaire, which is made available to stakeholders on our company website.