UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

DIVISION OF
CORPORATION FINANCE

April 19, 2024

Amy C. Seidel
Faegre Drinker Biddle & Reath LLP

Re: Target Corporation (the "Company")
Incoming letter dated February 9, 2024

Dear Amy C. Seidel:

This letter is in response to your correspondence concerning the shareholder proposal (the "Proposal") submitted to the Company by Legal and General Investment Management America, Inc. for inclusion in the Company's proxy materials for its upcoming annual meeting of security holders.

The Proposal requests that the board and management exercise their discretion to establish Company wage policies that are consistent with fiduciary duties and reasonably designed to provide workers with the minimum earnings necessary to meet a family's basic needs.

We are unable to concur in your view that the Company may exclude the Proposal under Rule 14a-8(i)(7). In our view, the Proposal transcends ordinary business matters.

Copies of all of the correspondence on which this response is based will be made available on our website at https://www.sec.gov/corpfin/2023-2024-shareholder-proposals-no-action.

Sincerely,

Rule 14a-8 Review Team

cc: Sara E. Murphy
The Shareholder Commons

faegre drinker

faegredrinker.com

Faegre Drinker Biddle & Reath LLP
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February 9, 2024

VIA STAFF ONLINE FORM

SEC Division of Corporation Finance
Office of Chief Counsel
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: Target Corporation – Notice of Intent to Exclude from 2024 Proxy Materials Shareholder Proposal of Legal and General Investment Management America, Inc.

Ladies and Gentlemen:

This letter is submitted on behalf of Target Corporation, a Minnesota corporation ("Target" or the "Company"), pursuant to Rule 14a-8(j) under the Securities Exchange Act of 1934 (the "Exchange Act"), to notify the Securities and Exchange Commission (the "Commission") of the Company's intention to exclude from its proxy materials for its 2024 Annual Meeting of Shareholders (the "2024 Proxy Materials") a shareholder proposal (the "Proposal") and statements in support thereof from The Shareholder Commons submitted on behalf of Legal and General Investment Management America, Inc. (the "Proponent"). The Company requests confirmation that the staff of the Division of Corporation Finance (the "Staff") will not recommend an enforcement action to the Commission if the Company excludes the Proposal from its 2024 Proxy Materials in reliance on Rule 14a-8.

Pursuant to Rule 14a-8(j) and Staff Legal Bulletin No. 14D (November 7, 2008) ("SLB 14D"), we have (i) submitted this letter and its exhibit to the Commission within the time period required under Rule 14a-8(j) and (ii) concurrently sent copies of this correspondence to the Proponent as notification of the Company's intention to exclude the Proposal from its 2024 Proxy Materials.

Rule 14a-8(k) and SLB 14D provide that shareholder proponents are required to send companies a copy of any correspondence that the proponents elect to submit to the Commission or Staff. Accordingly, we are taking this opportunity to inform the Proponent that if the Proponent elects to submit additional correspondence to the Commission or the Staff with respect to the Proposal, a copy of that correspondence should be furnished concurrently to the undersigned on behalf of the Company pursuant to Rule 14a-8(k) and SLB 14D.

The Proposal

The Company received the Proposal on December 30, 2023. A full copy of the Proposal, including the accompanying supporting statement (the "Supporting Statement"), is attached hereto as Exhibit A. The resolution of the Proposal reads as follows:

> BE IT RESOLVED, shareholders ask that the board and management exercise their discretion to establish Company wage policies that are consistent with fiduciary duties and reasonably designed to provide workers with the minimum earnings necessary to meet a family's basic needs, because Company compensation practices that fail to provide a living wage are harmful to the economy and therefore to the returns of diversified shareholders.

Basis for Exclusion

We hereby respectfully request the Staff concur in our view that the Proposal may be excluded from the Company's 2024 Proxy Materials pursuant to Rule 14a-8(i)(7) because the Proposal relates to the Company's ordinary business.

Analysis

The Proposal May Be Excluded Under Rule 14a-8(i)(7) Because It Relates To The Company's Ordinary Business.

A. Background of Rule 14a-8(i)(7)

Rule 14a-8(i)(7) permits a company to exclude a shareholder proposal if it "deals with a matter relating to the company's ordinary business operations." According to the Commission, the term "ordinary business" refers to matters that are not necessarily "ordinary" in the common meaning of the word, but instead the term "is rooted in the corporate law concept providing management with flexibility in directing certain core matters involving the company's business and operations." Exchange Act Release No. 34-40018 (May 21, 1998) (the "1998 Release"). The underlying policy of the ordinary business exclusion is "to confine the resolution of ordinary business problems to management and the board of directors, since it is impracticable for shareholders to decide how to solve such problems at an annual shareholders meeting." *See* 1998 Release. The Commission has provided two central considerations for determining whether the ordinary business exclusion applies. The first consideration, related to the subject matter of the proposal, recognizes that "[c]ertain tasks are so fundamental to management's ability to run a company on a day-to-day basis that [it] could not, as a practical matter, be subject to direct shareholder oversight." The second consideration "relates to the degree to which the proposal seeks to 'micromanage' the company by probing too deeply into matters of a complex nature upon which shareholders, as a group, would not be in a position to make an informed judgment." 1998 Release.

B. The Proposal May Be Excluded Under Rule 14a-8(i)(7) Because It Relates To The Company's General Employee Wage Policies.

The Proposal may be excluded under Rule 14a-8(i)(7) because the subject matter of the Proposal relates to general employee wages, which falls within the ordinary business operations of the Company. In *United Technologies Corp.* (Feb. 19, 1993), the Staff provided examples of shareholder proposal topics that may be excludable as relating to a company's ordinary business operations, including "employee health benefits, *general compensation issues not focused on senior executives*, management of the workplace, employee supervision, labor-management relations, employee hiring and firing, conditions of the employment and employee training and motivation" (emphasis added). The Staff affirmed its position on this issue in Staff Legal Bulletin No. 14A (July 12, 2002) ("SLB 14A"), in which it explained that "[s]ince 1992, [the Staff has] applied a bright-line analysis to proposals concerning equity or cash compensation" under which companies "may exclude proposals that relate to general employee compensation matters in reliance on [R]ule 14a-8(i)(7)."

The Proposal asks the Company to establish general wage policies. In *Yum! Brands, Inc.* (Feb. 24, 2015), the company received a proposal requesting that a report of executive compensation policies include a comparison of senior executive compensation and "store employees' median wage." In permitting exclusion of the proposal on the grounds of Rule 14a-8(i)(7), the Staff noted that the proposal related to the company's ordinary business because it "relates to compensation that may be paid to employees and is not limited to compensation that may be paid to senior executive officers and directors." As in *Yum! Brands, Inc.*, the Proposal is not limited, or at all directed, to the compensation of senior executives, but rather relates to the Company's general compensation issues regarding all employees.

In addition to *Yum! Brands, Inc.* and *United Technologies Corp.*, the Staff has consistently permitted exclusion of proposals that concern a company's general compensation issues as implicating the company's ordinary business matters. *See Amazon.com, Inc.* (Apr. 8, 2022) (permitting exclusion under Rule 14a-8(i)(7) of a proposal requesting a report assessing the distribution of stock-based incentives throughout the company's workforce) and *The Home Depot, Inc.* (Mar. 1, 2017) (permitting exclusion under Rule 14a-8(i)(7) of proposals requesting that the company adopt and publish principles for minimum wage reform on the basis that the proposals relate to general compensation matters and "[do] not otherwise transcend day-to-day business matters").

Consistent with the foregoing precedent, the Proposal's focus on the Company's establishment of general "living wage" policies directly implicates the Company's general employee compensation issues and, thus, its ordinary business matters.

C. The Proposal Does Not Raise A Significant Social Policy Issue For Purposes Of Rule 14a-8(i)(7).

In the 1998 Release, the Commission noted that shareholder proposals concerning ordinary business operations but "focusing on sufficiently significant social policy issues…generally would not be considered to be excludable, because the proposals would transcend the day-to-day business matters and raise policy issues so significant that it would be appropriate for a shareholder vote."

However, in Staff Legal Bulletin No. 14L (Nov. 3, 2021) ("SLB 14L"), the Staff provided clarity on its process for evaluating proposals that raise significant social policy issues. Whereas previously it would focus on the determination of a "nexus between a policy issue and the company," the Staff stated that, going forward, it will consider whether the policy issues raised in a proposal have "a broad societal impact, such that they transcend the ordinary business of the company." SLB 14L. The Staff has consistently indicated that the mere mention of an issue with a broad societal impact cannot transform a proposal that is otherwise excludable as relating to ordinary business.

As discussed above, the Proposal's core focus is general employee compensation. The Proposal does not raise a significant policy issue having a "broad societal impact" that "transcend[s] the ordinary business of the company" as contemplated in SLB 14L. In Staff Legal Bulletin No. 14C (June 28, 2005), the Staff noted that, in determining whether a proposal's focus is a significant social policy, it "consider[s] both the proposal and the supporting statement as a whole." Staff responses to no-action requests have established a precedent that proposals referring to topics that might raise significant social policy issues, but which do not focus on or have only tangential implications for such issues, are not transformed from an otherwise ordinary business proposal into one that transcends ordinary business. Such precedent includes proposals relating to wage reform and wage inequality, similar to the Supporting Statement's mention of paying a "living wage" to "prevent contributing to inequity and racial/gender disparity," indicating that inequity and racial/gender disparity are not the focus of the Proposal.

For example, in *The Home Depot, Inc.* (Mar. 1, 2017), the company received a proposal requesting the company "adopt and publish principles for minimum wage reform." The proposal's resolution also stated that "this proposal [does not] seek to address the company's internal approach to compensation, general employee compensation matters, or implementation of its principles for minimum wage reform." The proponent, in a response letter to the company's no-action request, asserted that the proposal's focus was on the "public policy debate over minimum wage reform" rather than on "the company's internal approach to compensation." Despite this assertion, the Staff permitted exclusion of the proposal under Rule 14a-8(i)(7) and noted that "the proposal relates to general compensation matters, and does not otherwise transcend day-to-day business matters." Moreover, in *Dollar Tree, Inc.* (May 2, 2022) the Staff permitted the exclusion of a proposal under Rule 14a-8(i)(7) that requested a report explaining how the company's business strategy and incentives "will enable competitive employment standards, including wages [and] benefits" particularly in regard to the company's "lowest paid employees." Similar to the Supporting Statement here, the supporting statement in *Dollar Tree* raised general socio-economic concerns. *See also The TJX Companies, Inc.* (Mar. 8, 2016) (permitting exclusion under Rule 14a-8(i)(7) of a proposal requesting that the company adopt minimum wage reform principles, noting that the proposal "relates to general compensation matters"); *Apple, Inc.* (Nov. 16, 2015) (permitting exclusion of a proposal requesting that the company's compensation committee "adopt new compensation principles responsive to America's general economy, such as unemployment, working hour[s] and wage inequality" as relating to the company's ordinary business operations); and *Repligen Corporation* (Apr. 1, 2022) (permitting exclusion of a proposal where, despite the supporting statement's focus on "racial and gender wealth gaps" and the proposal's "benefit [to] shareholders, employees and the economy," the Staff concluded that the proposal "relates to, and does not transcend, ordinary business matters").

As in the foregoing examples, the Proposal's Supporting Statement references wealth inequality and racial/gender disparity. However, the main focus of the Proposal and majority of the Supporting Statement remains the general employee compensation issues of the Company and does not implicate a significant social policy issue under Rule 14a-8(i)(7). Accordingly, consistent with the precedent discussed above, the Proposal may be excluded under Rule 14a-8(i)(7) because the subject matter of the Proposal relates to the ordinary business of the Company and does not implicate a significant social policy issue which transcends the Company's ordinary business matters.

Conclusion

Based upon the foregoing analysis, the Company respectfully requests that the Staff confirm that it will not recommend any enforcement action to the Commission if the Company excludes the Proposal from its 2024 Proxy Materials pursuant to Rule 14a-8. We would be happy to provide any additional information and answer any questions regarding this matter.

Should you have any questions, please contact me at Amy.Seidel@FaegreDrinker.com or (612) 766-7769.

Thank you for your consideration.

Regards,

FAEGRE DRINKER BIDDLE & REATH LLP

Amy C. Seidel
Partner

cc: Minette Loula
Assistant General Counsel
Target Corporation
Email: [redacted]

Sara E. Murphy
The Shareholder Commons
PO Box 1268
Northampton, MA 01061
Email: [redacted]

John Hoeppner
LGIM America
71 South Wacker Drive, Suite 800
Chicago, IL 60606
Email: [redacted]

EXHIBIT A

Proposal
[See Attached]

Via electronic mail
December 30, 2023

Target Corp.
1000 Nicollet Mall, Mail Stop TPS-2670
Minneapolis, MN 55403
Via: [redacted]

Attn: Don Liu, EVP, Chief Legal & Compliance Officer, and Corporate Secretary

RE: Rule 14a-8 shareholder proposal for 2024 Annual Shareholder Meeting

Dear Mr. Liu,

The Shareholder Commons ("TSC") is filing a shareholder proposal on behalf of Legal and General Investment Management America, Inc. (the "Proponent"), shareholder of Target Corp. (the "Company"), for action at the next Company annual meeting. The Proponent submits the enclosed shareholder proposal for inclusion in the Company's 2024 proxy statement, for consideration by shareholders, in accordance with Rule 14a-8 of the General Rules and Regulations of the Securities Exchange Act of 1934. The Proponent may be joined by other shareholders as co-filers.

A letter from the Proponent authorizing TSC to act on its behalf is enclosed. TSC will attend the stockholders' meeting to move the resolution on behalf of the Proponent as required.

The Proponent and I are available to meet with the Company via teleconference on January 16, 2024, at 10:00 a.m. or 10:30 a.m. CST. In SLB 14L Section F, SEC Staff "encourages both companies and shareholder proponents to acknowledge receipt of emails when requested." Please acknowledge receipt of this proposal, and kindly indicate whether you wish to accept either of our proposed meeting times.

The Proponent can be reached at [redacted] I can be contacted at [redacted] or [redacted]. **Please address any future correspondence regarding the proposal to me.** I am available to discuss this issue and would welcome the opportunity to engage.

Sincerely,

Sara E. Murphy

Sara E. Murphy

cc: Andrew J. Neuharth [redacted]

A: PO Box 1268 | Northampton, MA 01061 | USA **P:** +1-302-485-0497 **E:** info@theshareholdercommons.com

LGIM
America

LGIM America
71 South Wacker Drive
Suite 800
Chicago, IL 60606
www.lgima.com

20 December 2023

Target Corp.
1000 Nicollet Mall, Mail Stop TPS-2670
Minneapolis, MN 55403
USA
Via: [redacted]

Attn: Don Liu, EVP, Chief Legal & Compliance Officer, and Corporate Secretary

Dear Mr. Liu,

I hereby authorize The Shareholder Commons to file a shareholder resolution on Legal and General Investment Management America, Inc.'s ("LGIMA") behalf for the Target Corporation ("Target" or the "Company") 2024 annual shareholder meeting. The proposal specifically requests that the Company pay a living wage.

We support this proposal because it would help to curb activities on the part of the Company that may undermine the value of our broader portfolios. I give The Shareholder Commons full authority to engage with Target on my behalf regarding the proposal and the underlying issues, to negotiate a withdrawal of the proposal as The Shareholder Commons sees fit, and to present the proposal at the Company's annual shareholder meeting.

LGIMA intend to hold the number of shares required by Rule 14a-8 through the Company's 2024 annual meeting. Verification of this ownership will be sent under separate cover.

I understand that LGIMA may be identified on the corporation's proxy statement as the filer of the aforementioned resolution.

Sincerely,

Kristina St. Charles
General Counsel

Cc: Andrew J. Neuharth [redacted]

[Target Corporation: Rule 14a-8 Proposal, December 20, 2023]
[This line and any line above it – *Not* for publication.]
ITEM 4*: Set compensation policy that optimizes portfolio value for Company shareholders

BE IT RESOLVED, shareholders ask that the board and management exercise their discretion to establish Company wage policies that are consistent with fiduciary duties and reasonably designed to provide workers with the minimum earnings necessary to meet a family's basic needs, because Company compensation practices that fail to provide a living wage are harmful to the economy and therefore to the returns of diversified shareholders.[1]

Supporting Statement:

Target increased its minimum hourly wage to $15 in 2020, and announced a new "starting wage range" of $15-$24 in 2022.[2] While that is good progress, the living wage in 2022 was $25.02 per hour per worker annually for a family of four (two working adults).[3] The highest wages in Target's range are reportedly reserved for high-cost markets such as New York City,[4] but the living wage there was $30.79 in 2022. Target's CEO, meanwhile, makes 680 times more than the Company's median employee. While people of color compose 54 percent of Target's U.S. workforce, they account for only 29 percent of leadership team roles,[5] indicating they make up a disproportionate number of employees not earning a living wage.

Such inequality and disparity harm the entire economy. For example, closing the living wage gap worldwide could generate an additional $4.56 trillion annually through increased productivity and spending,[6] translating to a more than 4 percent increase in annual GDP. A 2020 report found that had four key racial gaps for Black Americans—wages, education, housing, and investment—been closed in 2000, $16 trillion could have been added to the U.S. economy. Closing those gaps in 2020 could have added $5 trillion to the U.S. economy over the ensuing five years.[7]

By paying so many of its employees below a living wage, Target may believe it will increase margins and thus financial performance. But gain in Company profit that comes at the expense of society and the economy is a bad trade for Company shareholders who are diversified and rely on broad economic growth to achieve their financial objectives. The costs and risks created by low wages and inequality will directly reduce long-term diversified portfolio returns because a drag on GDP directly reduces returns on diversified portfolios.[8]

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[1] https://theshareholdercommons.com/case-studies/labor-and-inequality-case-study/
[2] https://corporate.target.com/press/release/2022/02/target-to-set-new-starting-wage-range-and-expand-a
[3] https://livingwage.mit.edu/articles/103-new-data-posted-2023-living-wage-calculator
[4] https://www.acorns.com/learn/earning/target-minimum-wage-increase/#:~:text=Workers%20at%20Target%20could%20start,competitive%20markets%20like%20New%20York.
[5] https://corporate.walmart.com/purpose/belonging-diversity-equity-inclusion/belonging-diversity-equity-and-inclusion-report
[6] https://tacklinginequality.org/files/introduction.pdf
[7] https://ir.citi.com/%2FPRxPvgNWu319AU1ajGf%2BsKbjJjBJSaTOSdw2DF4xynPwFB8a2jV1FaA3Idy7vY59bOtN2lxVQM=
[8] https://www.epi.org/publication/secular-stagnation/

This proposal asks the Board to set a Company compensation policy of paying a living wage to prevent contributing to inequality and racial/gender disparity. Target could achieve this Proposal's objective by securing Living Wage for US Employer certification.[9] Additionally, MIT has an online living wage calculator, or Target can work within frameworks promulgated by organizations such as IDH Sustainable Trade Initiative or The Living Wage Network. Target should use such frameworks in a manner that allows shareholders to gauge compliance and progress, while providing Target with discretion as to how to achieve the living-wage goal.

Please vote for: Set compensation policy that optimizes portfolio value for Company shareholders – Proposal 4*

[This line and any below are not for publication]
Number 4* to be assigned by the Company

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[9] https://livingwageforus.org/becoming-certified/

FROM:
Sara E. Murphy
sara@theshareholdercommons.com
+1.202.578.0261

Submission via Online Form

March 8, 2024

TO:
Office of Chief Counsel
Division of Corporation Finance
U.S. Securities and Exchange Commission
100 F Street NE
Washington, DC 20549

RE: Shareholder Proposal to Target Corporation regarding Company wage policies that optimize portfolio value for Company shareholders, on behalf of Legal and General Investment Management America, Inc.

Greetings:

Legal and General Investment Management America, Inc. (the "Proponent") is a beneficial owner of common stock of Target Corporation (the "Company" or "Target"). The Shareholder Commons ("TSC") has submitted a shareholder proposal (the "Proposal") on behalf of the proponents to the Company.

I am responding on behalf of the Proponent to the letter dated February 9, 2024 ("Company Letter") sent to the Securities and Exchange Commission by Amy C. Seidel of Faegre Drinker. In that letter, the Company contends the Proposal may be excluded from the Company's 2024 proxy statement.

We have redacted personal information consistent with the Staff's guidance. A copy of this letter is being emailed concurrently to Amy Seidel.

SUMMARY

The Proposal requests that the board and management exercise their discretion to establish Company wage policies that are consistent with fiduciary duties and reasonably designed to provide workers with the minimum earnings necessary to meet a family's basic needs, because Company compensation practices that fail to provide a living wage are harmful to the economy and therefore to the returns of diversified shareholders.

The Company letter asserts the Proposal is excludable under Rule 14a-8(i)(7) because it relates to the Company's ordinary business because it relates to the Company's general employee compensation and does not focus on a significant social policy issue that transcends the Company's ordinary business operations.

However, the Proposal focuses on the significant social policy issue of living wage and the effect on diversified investors and is consistent with recent Staff precedent allowing proposals focused on similar issues. The Staff has already articulated its perspective, finding in *Tractor Supply Company* (January 6, 2022) a transcendent significant social policy issue where the proposal focuses on compensation issues and the returns of diversified investors. Therefore, the Proposal should not be excluded from the Company's proxy statement.

BACKGROUND

Diversification and Cost Externalization

Sound investment practice mandates that fiduciaries adequately diversify their portfolios. This allows investors to reap the increased returns available from risky securities while greatly reducing their overall risk. This insight defines Modern Portfolio Theory.[1] This core principle is reflected in legal regimes that govern investment fiduciaries, such as ERISA, the federal law that governs private pension plans. ERISA requires plan fiduciaries to act prudently "by diversifying the investments of the plan."[2] The late John Bogle, founder of one of the world's largest mutual fund companies, summarized the wisdom of a diversified investment strategy: "Don't look for the needle in the haystack; instead, buy the haystack."[3]

Thus, accepted investment theory and fiduciary standards require adequate diversification. Once a portfolio is diversified, the most important factor determining return will not be how the companies in that portfolio perform relative to other companies ("alpha"), but rather how the market performs as a whole ("beta"). "[A]ccording to widely accepted research, alpha is about one-tenth as important as beta [and] drives some 91 percent of the average portfolio's return."[4]

This distinction between individual company returns and overall market return is critical because shareholder return at an individual company does not reflect its "externalized" costs, i.e., those costs it generates but does not pay. Externalized costs may include harmful emissions, resource depletion, and the instability and lost opportunities caused by income inequality. Diversified shareholders absorb the collective costs of such externalities because they degrade and endanger the stable, healthy systems upon which corporate financial returns depend. Thus, while individual companies can externalize costs from their own narrow perspective to "maximize shareholder value," diversified shareholders experience and in a sense "internalize" these costs through lowered return on their portfolios.[5] Stewardship of the

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1 Harry Markowitz. "Portfolio Selection." The Journal of Finance, Volume 7, No. 1, 1952, Pages 77-91.
2 29 USC Section 404(a)(1)(C); see also Uniform Prudent Investor Act, § 3 ("trustee shall diversify the investments of the trust" absent special circumstances.).
3 John C. Bogle, The Little Book of Common Sense Investing: The Only Way to Guarantee your Fair Share of the Stock Market, 86 (2007).
4 Stephen Davis, Jon Lukomnik and David Pitt-Watson, What They Do with Your Money (2016).
5 Externalities and Corporate Objectives in a World with Diversified Shareholder/Consumers, Robert G. Hansen and John R. Lott, JOURNAL OF FINANCIAL AND QUANTITATIVE ANALYSIS, 1996, vol. 31, issue 1, 43-68 (abstract) ("If shareholders own diversified portfolios, and if companies impose externalities on one another, shareholders do not want value maximization to be corporate policy. Instead, shareholders want companies to maximize portfolio values. This occurs when firms internalize between-firm externalities.")

externalizing companies can reduce externalities (even profitable ones) with an eye toward increasing portfolio-level return.

Living Wage

The living wage model reflects "the minimum employment earnings necessary to meet a family's basic needs while also maintaining self-sufficiency."[6] The living wage is abstemious, making no allowances for savings, consumption of even modest prepared foods, or home purchases, among other things. As the MIT Living Wage Calculator explains: "The living wage is the minimum income standard that, if met, draws a very fine line between the financial independence of the working poor and the need to seek out public assistance or suffer consistent and severe housing and food insecurity. In light of this fact, **the living wage is perhaps better defined as a minimum subsistence wage for persons living in the United States.**"[7] The concept of a living wage has been recognized as a human right in multiple international treaties and frameworks such as the Universal Declaration of Human Rights.[8]

Target's cost externalization resulting from its failure to pay a living wage

In 2020, Target increased its minimum wage to $15 an hour. In 2022, the Company announced a new "starting wage range" of $15 to $24 per hour.[9] This increase remains inadequate, as the U.S. average living wage in 2022 was $25.02 per hour per worker for a family of four (two working adults, two children).[10]

Target's policy of paying many of its employees less than a living wage affects the entire economy. Because wages are themselves a component of GDP, an increase in wages will raise GDP. This will then be amplified by the consumption financed by higher wages (the Keynesian "multiplier effect").[11] A 2009 Goldman Sachs report found that increasing the income of people with lower wages has a proportionately larger stimulating effect on the economy than increasing the income of those on high incomes.[12]

Corresponding to Target's current failure to pay many of its employees a living wage, there is also significant wage inequality within the Company. According to the Company's 2023 Proxy Statement,[13] the Company's CEO made $17.6 million in the previous fiscal year, or 680 times more than the Company's

6 "Living Wage Calculator," accessed August 4, 2023, https://livingwage.mit.edu/pages/about. (Living wage is a "market-based approach that draws upon geographically specific expenditure data related to a family's likely minimum food, childcare, health insurance, housing, transportation, and other basic necessities (e.g. clothing, personal care items, etc.) costs. The living wage draws on these cost elements and the rough effects of income and payroll taxes to determine the minimum employment earnings necessary to meet a family's basic needs while also maintaining self-sufficiency.")

7 (Emphasis added) https://livingwage.mit.edu/pages/about (Living wage is a "market-based approach that draws upon geographically specific expenditure data related to a family's likely minimum food, childcare, health insurance, housing, transportation, and other basic necessities (e.g. clothing, personal care items, etc.) costs. The living wage draws on these cost elements and the rough effects of income and payroll taxes to determine the minimum employment earnings necessary to meet a family's basic needs while also maintaining self-sufficiency.")

8 https://www.ohchr.org/en/human-rights/universal-declaration/translations/english

9 https://corporate.target.com/press/release/2022/02/target-to-set-new-starting-wage-range-and-expanda#:~:text=The%20company%20is%20now%20taking,every%20market%20where%20it%20operates.

10 Amy Glasmeier, "NEW DATA POSTED: 2023 Living Wage Calculator," Living Wage Calculator (blog), February 1, 2023, https://livingwage.mit.edu/articles/103-new-data-posted-2023-living-wage-calculator.

11 John Maynard Keynes, The General Theory of Employment, Interest, and Money, 1st Harvest/HBJ ed. 1936 (Reprint, San Diego, CA, USA: Harcourt, Brace, Jovanovich, 1964).

12 Eric Atkins, "The Wealthy Spend Less than You Think," The Globe and Mail, October 16, 2009, https://www.theglobeandmail.com/report-on-business/the-wealthy-spend-less-than-you-think/ article4289018/.

13 https://corporate.target.com/getmedia/86944c9b-857d-426b-a6cf-19280989cc77/2023-Proxy-Statement_Target-Corporation.pdf

median employee.[14] Target's employees of color make up a disproportionate number of employees not earning a living wage because people of color compose more than half of the Company's U.S. workforce, yet account for only 29 percent of leadership roles.[15]

It has been estimated that a one percent increase in inequality leads to a decrease in GDP of 0.6-1.0 percent.[16] A one percent difference in inequality could thus lead to 17-26 percent lower GDP over 30 years and correspondingly lower returns for a diversified portfolio. According to the Economic Policy Institute, income inequality is slowing U.S. economic growth by reducing demand by 2-4 percent.[17] A reduction in GDP implies a trend toward a similar reduction in portfolio value over time. As shown in the ground-breaking study, "Universal Ownership: Why Environmental Externalities Matter to Institutional Investors," the value of a diversified equities portfolio is directly proportional to GDP.[18]

Any material gap in the global economy's value will have significant implications for investors. Over long time periods, the overall value of a diversified portfolio of investment securities moves in proportion to the economy's intrinsic value, because owning a diversified portfolio of securities is essentially owning a piece of the economy. As a result, the negative economic impact of poverty wages that occurs over the next 30 years will be absorbed by investors who hold diversified portfolios over that time. Conversely, higher wages lead to increased productivity and consumption in a virtuous macroeconomic cycle that benefits investment portfolios.

Investor support for shareholder proposals such as this one can play a major role in mitigating the negative effects of low wages by driving best practices at large companies such as Target.

Target is the 6th largest private U.S. employer[19] with more than 420,000 employees in the United States.[20] As such, the economic impact of its wages is tremendous.

The negative effects on the economy caused by low wages translates to reduced returns for longer-term diversified portfolios. Therefore, the Proposal asserts that Target should pay a living wage to protect the investment portfolios of its diversified shareholders.

ANALYSIS

I. The Proposal is not excludable under Rule 14a-8(i)(7) because the Proposal deals with a significant social policy issue that transcends the Company's ordinary business operations.

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14 Id. at 61.
15 https://corporate.target.com/sustainability-governance/our-team/diversity-equity-inclusion/workforce-diversity
16 Orsetta Causa, Alain de Serres, and Nicolas Ruiz, "Growth and Inequality: A Close Relationship?," OECD, 2014, https://www.oecd.org/economy/growth-and-inequality-close-relationship.htm.
17 .Josh Bivens, "Inequality Is Slowing US Economic Growth Faster Wage Growth for Low- and Middle-Wage Workers Is the Solution," Economic Policy Institute, December 12, 2017, 28.
18 .79 Richard Mattison, Mark Trevitt, and Liesl van Ast, "Universal Ownership: Why Environmental Externalities Matter to Institutional Investors" (UNEP Finance Initiative and PRI, October 6, 2010), https://www.unepfi.org/fileadmin/documents/universal_ownership_full.pdf.
19 https://www.usatoday.com/story/money/business/2013/08/22/ten-largest-employers/2680249/
20 https://corporate.target.com/sustainability-governance/our-team/diversity-equity-inclusion/eeo-1-report

In 1998, the Commission issued a rulemaking release ("1998 Release") updating and interpreting the ordinary business rule, by both reiterating and clarifying past precedents. That release was the last time the Commission discussed and explained at length the meaning of the ordinary business exclusion. The Commission summarized two central considerations in making ordinary business determinations: whether the proposal addresses a significant social policy issue, and whether it micromanages.

First, the Commission noted that certain tasks were generally considered so fundamental to management's ability to run a company on a day-to-day basis that they could not be subject to direct shareholder oversight (e.g., the hiring, promotion, and termination of employees, as well as decisions on retention of suppliers, and production quality and quantity). However, proposals related to such matters but focused on sufficiently significant social policy issues (i.e., significant discrimination matters) generally would not be excludable.

Second, proposals could be excluded to the extent they seek to "micromanage" a company by probing too deeply into matters of a complex nature upon which shareholders, as a group, would be unable to make an informed judgment. This concern did not, however, result in the exclusion of all proposals seeking detailed timeframes or methods. Proposals that passed the first prong but for which the wording involved some degree of micromanagement could be subject to a case-by-case analysis of whether the proposal probes too deeply for shareholder deliberation.

The Company does not argue that this Proposal micromanages the Company, so the relevant analysis here relates only to the existence of a significant social policy issue.

<u>Cost externalization as a significant social policy issue</u>

The Proposal is unambiguous about the underlying policy issue: the Company may be engaging in workforce practices that raise the Company's profits but harm society (and ultimately the diversified portfolios of most of its shareholders). This "trade" of company wealth for social harm has broad societal impact.

The focus of the Proposal is consistent with numerous Staff determinations regarding proposals related to cost externalization and shareholder primacy, which were found to both address a transcendent policy issue and not to micromanage.

In *BlackRock, Inc.* (April 4, 2022) the Staff did not allow exclusion for ordinary business, finding instead that the Proposal "transcends ordinary business matters and does not seek to micromanage the Company." The proposal requested that the Company "adopt stewardship practices designed to curtail corporate activities that externalize social and environmental costs that are likely to decrease the returns of portfolios that are diversified in accordance with portfolio theory, even if such curtailment could decrease returns at the externalizing company." The Staff found the proposal did not micromanage and agreed it focused on a significant social policy issue: "the question of how corporations account for the systemic and other costs they impose on other companies when they prioritize shareholder returns and ignore the costs they externalize."

The SEC has also determined that cost externalization, connected to other social impacts, is a significant social policy issue sufficient to transcend ordinary business. *See Johnson & Johnson* (February 8, 2022), (unable to concur with exclusion for a proposal requesting that the board report on the public health costs created by limited sharing of the Company's COVID-19 vaccine technologies and the manner in which such costs may affect the market returns available to its diversified shareholders, where the proponent argues that the proposal addresses a significant policy issue of "whether companies should create financial return with practices that harm social and environmental systems" and that part of that issue is "the treatment of COVID-19 intellectual property"); and *see CVS Health Corporation* (March 15, 2022) (unable to concur with exclusion of a proposal which requests that the board report on the link between the public-health costs created by the Company's sale of unhealthy foods and its prioritization of financial returns over its healthcare purpose and whether such prioritization threatens the returns of diversified shareholders, where the proponent argued that the proposal "addresses the policy issue of shareholder primacy and corporate cost externalization in pursuit of financial return" and also argues that "the sale of unhealthful food" is a significant social policy issue).

<u>The type of cost externalization named in the Proposal (living wage policies) constitutes a significant policy issue on its own</u>

The Proposal requests that the Company establish wage policies "reasonably designed to provide workers with the minimum earnings necessary to meet a family's basic needs, because Company compensation practices that fail to provide a living wage are harmful to the economy and therefore to the returns of diversified shareholders." While insufficient wage policies are clearly part of the larger "effect on diversified investors" policy issue discussed above, it also has broad societal impact standing on its own. The supporting statement demonstrates this:

- "[C]losing the living wage gap worldwide could generate an additional $4.56 trillion every year through increased productivity and spending, translating to a more than 4 percent increase in annual GDP."
- "A 2020 report found that had four key racial gaps for Black Americans—wages, education, housing, and investment—been closed in 2000, $16 trillion could have been added to the U.S. economy. Closing those gaps in 2020 could have added $5 trillion to the U.S. economy over the ensuing five years."

Living wage is an issue with broad societal impact that has been a subject of widespread public debate. As a recent essay in *The New York Times* observed:

> *[W]hile it is a common refrain that a living wage would force employers to hire fewer workers and thus destroy jobs, there are persuasive empirical and philosophical responses to this objection. The stagnation of real wages for American workers does not reflect their low productivity so much as the increasing concentration of wealth within companies. In 1965, the average top chief executive made 21 times as much as a typical*

> *worker in America. In 2020, the ratio was 351 to 1.*[21]

Particularly in the case of a major employer such as Target, the ability of shareholders to drive corporate practices on wages significantly affects the wider economy, which is of particular concern for diversified investors. As referenced in the Background section above, Target's wages have a significant impact on the economy, with 420,000 employees in the United States.[22] This Proposal addresses a significant social policy issue and thus should not be excluded as ordinary business.

<u>II. Inclusion of the Proposal is merited as a human capital management issue.</u>

The Company argues the Proposal is excludable because it relates to general employee compensation. However, inclusion of the Proposal is consistent with recent Staff bulletins and precedent. Where the focus of the Proposal is clearly on a significant policy issue, the fact that it may touch on issues related to employee compensation should not result in exclusion. This was made clear in SLB L:

> *[P]roposals squarely raising human capital management issues with a broad societal impact would not be subject to exclusion solely because the proponent did not demonstrate that the human capital management issue was significant to the company.*

Even before the bulletin, the Staff recognized that the issue of corporate externalized costs that damage diversified portfolios satisfies the significant policy exception under Rule 14a-8(i)(7). *See PepsiCo, Inc,* (March 12, 2021) (Staff declined to concur in exclusion under Rule 14a-8(i)(7) when proposal requested a study of public health costs associated with the company's business and the manner in which such costs affect diversified shareholders who rely on overall market returns); *CVS Health Corp.*, recon. denied (March 30, 2021) ("a proposal related to the external public health costs... may raise a significant policy issue that transcends a company's ordinary business operations"); and see later decisions in *Johnson & Johnson* (February 8, 2022) and *CVS Health Corporation* (March 15, 2022) (discussed above).

The Staff's perspective on finding a transcendent significant social policy issue where the proposal focuses on compensation issues and the returns of diversified investors is exemplified in *Tractor Supply Company* (January 6, 2022). There, the Staff stated the proposal "transcends ordinary business matters because it raises human capital management issues with a broad societal impact. See Staff Legal Bulletin No. 14L (Nov. 3, 2021)." (Citation in original.) The proposal requested that "the board commission and publish a report on (1) whether the Company participates in compensation and workforce practices that prioritize Company financial performance over the economic and social costs and risks created by inequality and racial and gender disparities and (2) the manner in which such costs and risks threaten returns of diversified shareholders who rely on a stable and productive economy." Like the Tractor Supply proposal, the Proposal at hand also focuses on compensation and its relationship to the returns of

21 Nick Romeo, The M.I.T. Professor Defining What It Means to Live, The New York Times (December 28, 2021), available at https://www.nytimes.com/2021/12/28/opinion/living-wage-calculator.html.
22 https://corporate.target.com/sustainability-governance/our-team/diversity-equity-inclusion/eeo-1-report

diversified investors and should similarly be found to address a significant social policy issue that transcends the Company's ordinary business. In its no action challenge, Tractor Supply also attempted to argue the Proposal was excludable because "its subject matter relates to general employee compensation" and did not focus on a significant policy issue, but the SEC Staff rejected this argument.

The Company states "proposals referring to topics that might raise significant social policy issues, but which do not focus on or have only tangential implications for such issues, are not transformed from an otherwise ordinary business proposal into one that transcends ordinary business." The Company then references Staff precedents where the proposals focused on broad issues with a large scope such as "America's general economy." In contrast to cited precedents, the current proposal focuses on a specific issue with broad societal impact: living wage policies and the impact on diversified investors. Contrary to the Company's assertion, this Proposal does more than simply "refer" to the impact of wage inequality on the Company's own diversified investors. The Resolved Clause makes clear that the Proposal request is for the Company to establish wage policies that provide a living wage because failure to do so is harmful to the returns of diversified investors. The Supporting Statement continues to express the current lack of a living wage policy at the Company and how that failure affects the economy and the portfolio-wide returns of diversified investors.

CONCLUSION

Based on the foregoing, it is clear the Company has provided no basis for the conclusion that the Proposal is excludable from the 2024 proxy statement pursuant to Rule 14a-8. As such, we respectfully request that the Staff deny the Company's no-action letter request. If you have any questions, you can write to me at sara@theshareholdercommons.com.

Sincerely,

Sara E. Murphy

Sara E. Murphy
Chief Strategy Officer

EXHIBIT I: SHAREHOLDER PROPOSAL

[Target Corporation: Rule 14a-8 Proposal, December 20, 2023]
[This line and any line above it – *Not* for publication.]
ITEM 4*: Set compensation policy that optimizes portfolio value for Company shareholders

BE IT RESOLVED, shareholders ask that the board and management exercise their discretion to establish Company wage policies that are consistent with fiduciary duties and reasonably designed to provide workers with the minimum earnings necessary to meet a family's basic needs, because Company compensation practices that fail to provide a living wage are harmful to the economy and therefore to the returns of diversified shareholders.[23]

Supporting Statement:

Target increased its minimum hourly wage to $15 in 2020, and announced a new "starting wage range" of $15-$24 in 2022.[24] While that is good progress, the living wage in 2022 was $25.02 per hour per worker annually for a family of four (two working adults).[25] The highest wages in Target's range are reportedly reserved for high-cost markets such as New York City,[26] but the living wage there was $30.79 in 2022. Target's CEO, meanwhile, makes 680 times more than the Company's median employee. While people of color compose 54 percent of Target's U.S. workforce, they account for only 29 percent of leadership team roles,[27] indicating they make up a disproportionate number of employees not earning a living wage.

Such inequality and disparity harm the entire economy. For example, closing the living wage gap worldwide could generate an additional $4.56 trillion annually through increased productivity and spending,[28] translating to a more than 4 percent increase in annual GDP. A 2020 report found that had four key racial gaps for Black Americans—wages, education, housing, and investment—been closed in 2000, $16 trillion could have been added to the U.S. economy. Closing those gaps in 2020 could have added $5 trillion to the U.S. economy over the ensuing five years.[29]

By paying so many of its employees below a living wage, Target may believe it will increase margins and thus financial performance. But gain in Company profit that comes at the expense of society and the economy is a bad trade for Company shareholders who are diversified and rely on broad economic growth to achieve their financial objectives. The costs and risks created by low wages and inequality will directly reduce long-term diversified portfolio returns because a drag on GDP directly reduces returns on diversified portfolios.[30]

This proposal asks the Board to set a Company compensation policy of paying a living wage to prevent contributing to inequality and racial/gender disparity. Target could achieve this Proposal's objective by

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23 https://theshareholdercommons.com/case-studies/labor-and-inequality-case-study/
24 https://corporate.target.com/press/release/2022/02/target-to-set-new-starting-wage-range-and-expand-a
25 https://livingwage.mit.edu/articles/103-new-data-posted-2023-living-wage-calculator
26 https://www.acorns.com/learn/earning/target-minimum-wage-increase/#:~:text=Workers%20at%20Target%20could%20start,competitive%20markets%20like%20New%20York.
27 https://corporate.target.com/sustainability-governance/our-team/diversity-equity-inclusion/workforce-diversity
28 https://tacklinginequality.org/files/introduction.pdf
29 https://ir.citi.com/%2FPRxPvgNWu319AU1ajGf%2BsKbjJjBJSaTOSdw2DF4xynPwFB8a2jV1FaA3Idy7vY59bOtN2lxVQM=
30 https://www.epi.org/publication/secular-stagnation/

securing Living Wage for US Employer certification.[31] Additionally, MIT has an online living wage calculator, or Target can work within frameworks promulgated by organizations such as IDH Sustainable Trade Initiative or The Living Wage Network. Target should use such frameworks in a manner that allows shareholders to gauge compliance and progress, while providing Target with discretion as to how to achieve the living-wage goal.

Please vote for: Set compensation policy that optimizes portfolio value for Company shareholders – Proposal 4*

[This line and any below are not for publication]
Number 4* to be assigned by the Company

31 https://livingwageforus.org/becoming-certified/