

## Target Feedback to 2018 Appeals Process

Thank you for taking part in the CHRB Appeals Process and for your patience throughout. Of the 2 appeals submitted to CHRB, 1 was accepted and 1 was initially rejected by CHRB and the research team. During the final review, our panel (led by Margaret Wachenfeld and supported by Lise Smit and Nadia Bernaz<sup>1</sup>) accepted your appeal and overturned the initial decision:

Indicator code	Indicator title	CHRB Score (pre-appeal)	Final Score (post-appeal)	Full Appeal Committee involved? (Yes or No)	Change in score? (Yes or No)
E(1).2	The Company has appropriate policies in place	0	1	N	Y
D.1.9.b	Water and sanitation (in the supply chain)	0	1	Y	Y

The E(1).2 appeal did not need to go to the panel. However, as the D.1.9.b case was initially rejected by CHRB and the researchers, so went to the panel for a final review. The text below explains our thinking and final position.

<b>APPEAL NUMBER:</b> 035		<b>COMPANY:</b> Target	
<b>Indicator:</b> D.1.9.b		<b>Indicator Title:</b> Water and sanitation (in the supply chain)	
<b>Scorecard Text:</b>  The individual elements of the assessment are met or not as follows: Score 1 <ul style="list-style-type: none"> <li>• Not met: Rules on water stewardship in codes or contracts</li> <li>• Not met: How working with suppliers on water stewardship issues: In its CSR Report 2018, the Company indicates: ' In 2017, we made an initial \$1 million investment in Water.org, as part of a collaborative effort to remove barriers to accessing affordable financing for water and sanitation in the communities where our goods are produced.' Although, this is a very important initiative, it does not represent an example of how the Company is working with its suppliers on water issues. [Corporate Social Responsibility Report, 2018: corporate.target.com]</li> </ul> Score 2 <ul style="list-style-type: none"> <li>• Not met: Both requirements under score 1 met</li> <li>• Not met: Provide analysis of trends in progress made</li> </ul>			<b>2018 Scorecard Score:</b>  <b>0</b>
<b>Requested Score:</b>  1	<b>Justification from Company:</b> The scoring explanation details that we do not have water stewardship requirements in our codes/contracts or that we don't necessarily work with suppliers on water stewardship issues. However: <ul style="list-style-type: none"> <li>o Our current "Standards of Vendor Engagement" show the requirements we</li> </ul>		

<sup>1</sup> Margaret Wachenfeld is an independent consultant, a director of CHRB and the co-chair of CHRB's Methodology Committee but was not involved in the actual research process. Lise Smit is a Senior Research Fellow in Business and Human Rights at the British Institute of International and Comparative Law. Nadia Bernaz is a specialist in international human rights law at the Wageningen University Netherlands.

	<p>uphold with vendors, suppliers, manufacturers, contractors, subcontractors and their agents regarding water stewardship.</p> <ul style="list-style-type: none"> <li>o We have also detailed our supplier water stewardship work on pgs. 29-30 of our 2018 Corporate Responsibility Report</li> </ul>
<p><b>Sources from Company:</b> Standards of Vendor engagement <a href="https://corporate.target.com/corporate-responsibility/responsible-sourcing/social-compliance/standards-of-vendor-engagement">https://corporate.target.com/corporate-responsibility/responsible-sourcing/social-compliance/standards-of-vendor-engagement</a></p> <p>2018 CSR Report <a href="https://corporate.target.com/media/TargetCorp/csr/pdf/2018_corporate_responsibility_report.pdf">https://corporate.target.com/media/TargetCorp/csr/pdf/2018_corporate_responsibility_report.pdf</a></p>	
<p><b>Methodology Points:</b></p> <p><b>Score 1</b>      The Company includes access to water and sanitation guidelines, including refraining from negatively affecting access to safe water, in its contractual arrangements with its suppliers or in its supplier code of conduct OR the Company describes how it works with suppliers to improve their practices in relation to access to water and sanitation.</p> <p><b>Score 2</b>      The Company meets both the requirements under Score 1 AND provides an analysis of trends in progress made.</p>	
<p><b>Commentary and Recommendation from CHRB and Researchers to Panel:</b> To meet a 1 on D1.9b requires that either the contractual arrangements with suppliers / in Code of Conduct include access to water and sanitation guidelines, including refraining from negatively affecting access to safe water OR a description of how they work with suppliers to improve their practices in relation to access to water and sanitation.</p> <p>Their evidence claims their Standards of Vendor Engagement (SOVE) do have the water stewardship elements, backed up by water stewardship work in their annual report.</p> <p>However, the website for SOVE says this <i>“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”</i>.</p> <p>But...we can't access the document referred to in the reference (<i>“Please refer to <b>Target’s Applying the Standards of Vendor Engagement</b> document for additional information pertaining to each standard, including the applicability of local laws and international conventions as well as <b>implementation expectations</b>.”</i>).</p> <p>So this is a bit tricky as the SOVE looks good enough to get a 1 for the 1st part of the score requirement. However, the caveat that 'implementation expectations' are articulated in a separate document (that we can't find) casts doubt on whether this requirement actually applies to <b>all the supply chain</b>. Would suggest this one wouldn't qualify for revision on this basis.</p> <p>Recommend - reject appeal, but say it is on the basis that we can't be sure of the applicability of the SOVE (as we couldn't find the 'Applying the Standards of Vendor Engagement' document'), but that this should be changeable in 2019 if we can see what those 'implementation expectations' actually are.</p>	

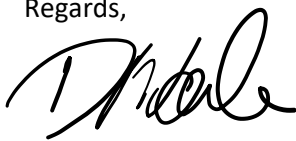
<b>Panel Decision?</b>	<b>Accept</b>	<input checked="" type="checkbox"/>	<b>Partially Accepted</b>	<input type="checkbox"/>	<b>Rejected</b>	<input type="checkbox"/>
<b>Justification from Panel:</b>						
We have overturned this and accepted the appeal on the basis of their work with WWF, which goes into some detail about an example of how they work with suppliers to improve their practices in relation to water and sanitation.						
<b>Indicator:</b> D.1.9.b	<b>Final Score:</b> 1		<b>Date:</b> 11 Mar 2019			

As a result of the accepted appeals, the overall score has increased from 15.9 to 19.0 with Theme Scores adjusted as follows:

Target	Theme A	Theme B	Theme C	Theme D	Theme E	Theme F	Total	Change Band?
2018 Score	1.3	1.8	2.1	7.2	0	3.5	15.9	No
After Appeal	1.3	1.8	2.1	7.7	2.5	3.6	19	
Change	0	0	0	0.5	2.5	0.1	3.10%	

This results in a 'move up' past several companies including L Brands, Aeon, LVMH and Ahold Delhaize. Once CHRB has completed a review of all appeals and replied in detail to all companies, we will update the table online, as well as the downloadable data sheets, plus publish a short report on the Appeals Process including any rank changes. Please note that this is the final position on 2018 scores and any further engagements regarding evidence and indicators should be directed to the research team for inclusion in 2019. Thank you for contributing to this process and for enabling CHRB to learn from the appeals and pass information back to our researchers.

Regards,



Dan Neale, CHRB Programme Director