



## Timberland Quarterly CSR Reporting: Q2 2008

### CSR Strategic Pillar #3: Workplaces



1. Become carbon neutral  
[energy].



3. Fair, safe and non-  
discriminatory *workplaces*  
wherever Timberland  
products are made.



2. Design recyclable *product*.



4. 2008-2009 *service*  
campaign: Community  
Greening

# How to Read Timberland's Quarterly CSR Dashboard Detail Pages

**Data Qualifier:** A detailed description of each indicator. How was this data captured. What does it represent? Is it an annual metric, a quarterly snapshot or a 12-month rolling metric? Do we have plans to refine/change this metric in the future?

This section provides background information on the metric.

**Data Validation:** This section provides information about our internal process for reviewing and assessing data.

### Average Assessment Score

Year	Average Assessment Score
2007	61.8
Q1 2008	63.1
08 Target	68.0

**Data Qualifier:** Overall average Code of Conduct score for all active factories as of end of reporting period based on last assessment ("Current Profile"). Includes all TBL business units.

For background on Timberland's assessment process, please see our 2006 CSR report at: [www.timberland.com/osreport](http://www.timberland.com/osreport)

**Data Validation:** Individual Green Index Scores (per shoe aka SKU) are calculated based on the design specification and

2008 Target for overall average Code of Conduct Assessment Score is 68. We expect continued business partners to improve their score year over year (see Progress metric), which should drive an increase in overall score year over year. However, this metric is also dependent upon supply chain's selection of new suppliers (see Initial Assessment metric).

Current Profile at end of Q1 improved from 2007 Year End due to 83% of the continued business partners assessed in Q1 showing improvement and the introduction of 6 new suppliers scoring above 70. The introduction of eight (8) new suppliers scoring below 60 and two (2) continued business partners with decreased scores prevented further advancement in overall average score (see Progress metric and Initial Assessment metric).

**Analysis:** What do the results say? Are we tracking to the annual target? What actions has this result catalyzed? How is this result compared to historical data? If we see bad results, what are we doing to correct this? If we see good results, how will we sustain this momentum?

Company: Q1 2008 Results

The graphs display trend data and future targets.

**Context:** Puts this metric in context of Timberland's overall CSR and corporate strategy. How does it fit? How does it progress our mission? Why do we measure this? What value do we get from this metric?



**CSR Strategic Pillar #3: Workplaces**

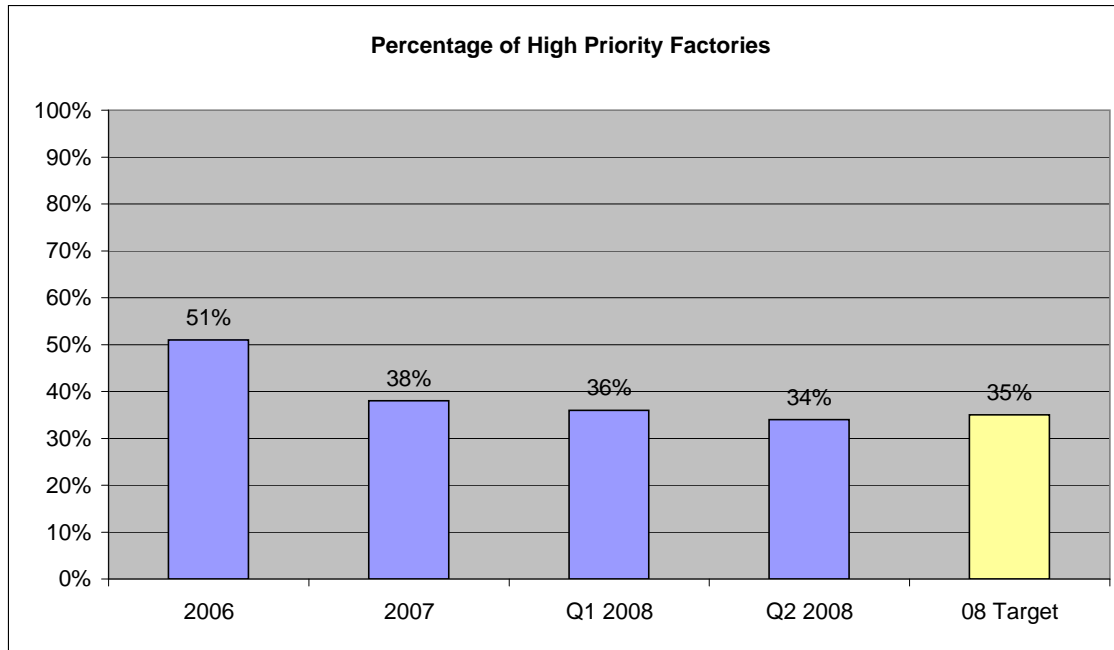
**Metric: Percentage of "High Priority" Factories**

Year	High Priority
2006	51%
2007	38%
Q1 2008	36%
Q2 2008	34%
08 Target	35%

**Data Qualifier:** Percent of Active factories as of end of reporting period (Current Profile) with a score of < 60 on their last assessment.

For background on Timberland's factory designation, please see our 2006 CSR report at: [www.timberland.com/csreport](http://www.timberland.com/csreport)

**Data Validation:** Data derived from Code of Conduct Assessments, conducted in accordance with internal policies and procedures, to verify factory compliance with Timberland's Code of Conduct as specified in Timberland's Workplace Quality Standards Guide. Assessment reports and scores subsequently subject to quality control review by Code of Conduct headquarters team.



**Context**

Code of Conduct Scores fall into 3 categories: High Priority (scores below 60); Acceptable (60-79); and Partner (score of 80 or above with minimum threshold for each scoring variable satisfied). These designations are used to prioritize our remediation assistance efforts. Factories that score Partner have well-developed social and environmental management systems and little, if any, actions needed. Factories that score Acceptable will have actions to complete, but have sufficient internal skills/knowledge to implement actions without the assistance of Timberland assessors. Factories that score High Priority have Immediate Action violations and/or environment, or health & safety issues with which the factory lacks sufficient management systems, skills and/or knowledge to sustainably address. Timberland assessors focus their remediation assistance efforts on those factories that score High Priority. Please note that High Priority does not necessarily mean high risk.

**Analysis**

313 Active factories as of June 30, 2008. Current profile of all active factories is as follows: 38 factories scored Partner status; 169 Acceptable; and 106 High Priority. The overall percentage of High Priority factories decreased slightly this quarter due to: a) 17 factories assessed in Q2 moved out of High Priority range with their current assessment; and b) 14 of the 26 factories dropped in Q2 (as determined by Timberland sourcing managers) were of the High Priority range. These improvements were offset by 9 new suppliers scoring in High Priority; and 4 factories moving into High Priority with their current assessment. While we are below our 2008 target, it is important to note that 56% of our supply chain remains to be assessed by year end.



**CSR Strategic Pillar #3: Workplaces**

**Metric: Percentage of Production in "High Risk" Footwear Factories**

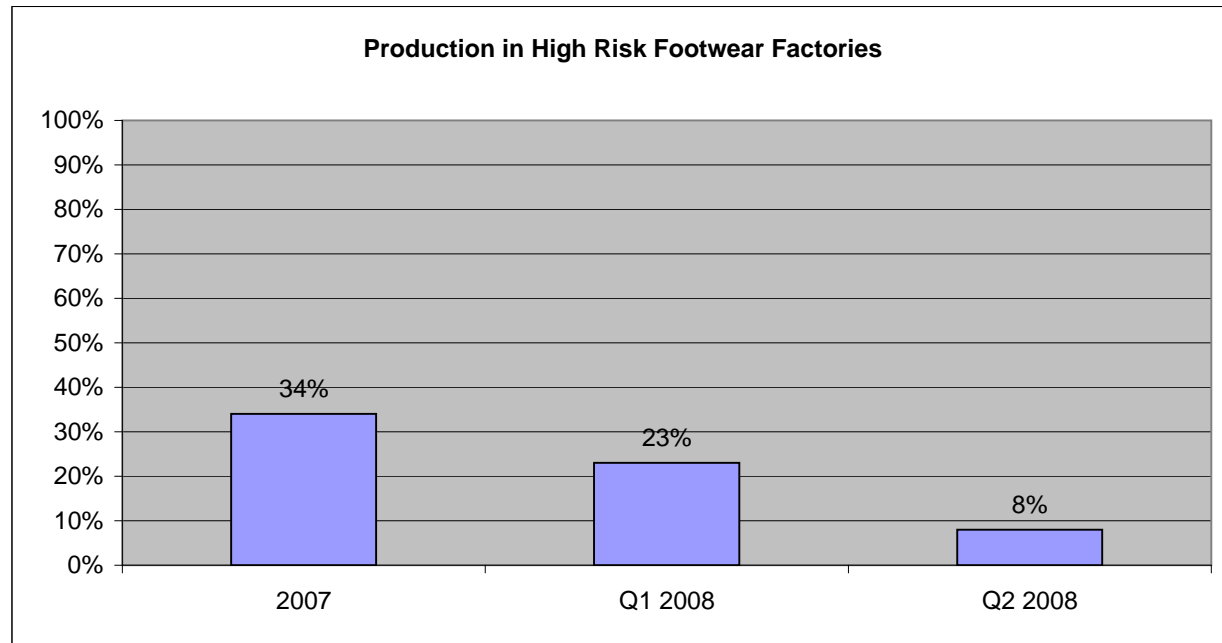
Year	Production
2007	34%
Q1 2008	23%
Q2 2008	8%
08 Target	Baseline year

**Data Qualifier:** Percent of footwear production planned for 2008 placed in factories with High Risk Ratings as of their last full assessment.

For background on Timberland's assessment process, please see our 2006 CSR report at:

[www.timberland.com/csreport](http://www.timberland.com/csreport)

**Data Validation:** Data is derived from Code of Conduct assessment results and production planning figures provided by Timberland Value Chain management.



**Context**

Risk ratings are applied to assessment findings based on definitions for low, medium, and high risk scenarios. Risk ratings range from 0-500. High risk is defined as 400-500 risk ratings (representing situations of high hazard, high probability and potential for high impact such as regularly working all workers over 72 hours/week, 12 hours/day or 7 days consecutively; employing debt-bonded labor or child labor; intentional disregard for legally mandated wages or benefits; or lack of effective machine guarding or emergency stops on equipment where loss of life or limb is reasonably foreseeable (short list)). This metric is reported quarterly based on updated assessment results. Current metric focuses on Footwear production only; we aim to report on other business units in 2009.

**Analysis**

In Q1 there were 3 suppliers that showed high risk issues in their last assessment. In Q2, our largest volume supplier (with 16% of production) was assessed and showed significant improvement - successfully resolving all high risk issues (related to Wages and Hours), improving their Code of Conduct score from 46 to 74. The remaining two factories with high risk issues were scheduled to be re-assessed in June/July, but due to assessor vacancies the assessments have been postponed until September. Remediation updates indicate that improvements have been made (related to Wages and Hours at one factory, and Environmental Compliance at the second); waiting for full assessments to confirm. There was also a slight increase in production at one of these facilities, bringing both to 4% for a total of 8% of overall production.



**CSR Strategic Pillar #3: Workplaces**  
**Metric: Average Assessment Score**

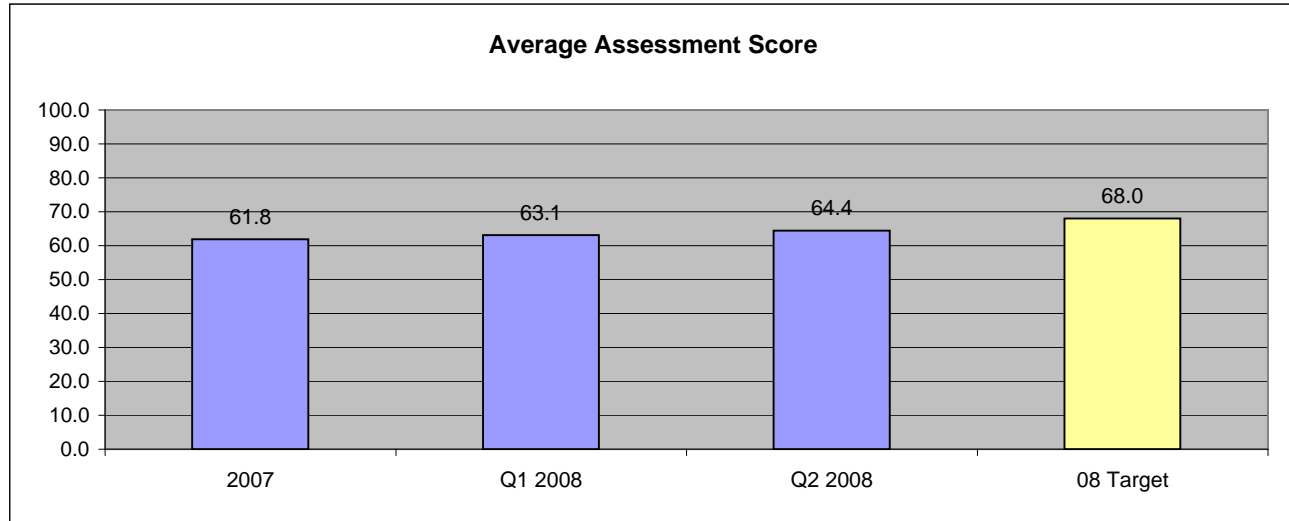
Year	Average Assessment Score
2007	61.8
Q1 2008	63.1
Q2 2008	64.4
08 Target	68.0

**Data Qualifier:** Overall average Code of Conduct score for all active factories as of end of reporting period (Current Profile) based on last assessment. Includes all TBL business units.

For background on Timberland's assessment process, please see our 2006 CSR report at:

[www.timberland.com/csrreport](http://www.timberland.com/csrreport)

**Data Validation:** Data derived from Code of Conduct Assessments, conducted in accordance with internal policies and procedures, to verify factory compliance with Timberland's Code of Conduct. Assessment reports and scores are subsequently subject to quality control review by Code of Conduct headquarters team.



**Context**

2008 Target for overall average Code of Conduct Assessment Score is 68. We expect continued business partners to improve their score year over year (see Progress metric), which should drive an increase in overall score year over year. However, this metric is also dependent upon supply chain's selection of new suppliers (see Initial Assessment metric). See High Priority Factories metric for detailed description of scoring methodology.

**Analysis**

With 47 continued business partners improving their score this quarter and 14 new suppliers scoring Acceptable or better on their initial assessment, the overall average CC score for our entire supply chain improved in Q2. Unfortunately, there were 7 new suppliers scoring in High Priority and 12 suppliers that scored worse this quarter, resulting in the overall score improving only 1.3%. As of June 30, 2008 there are 313 Active factories; 56% yet to be assessed this year (137 completed). As we continue to increase focus on remediation assistance and increase business unit sourcing pressure, we anticipate that the remaining lowest scoring factories will improve or we will consider alternative sourcing. That said, we believe we are on target for our '08 target.



**CSR Strategic Pillar #3: Workplaces**

**Metric: Average Environmental Assessment Score - Not Including Tanneries**

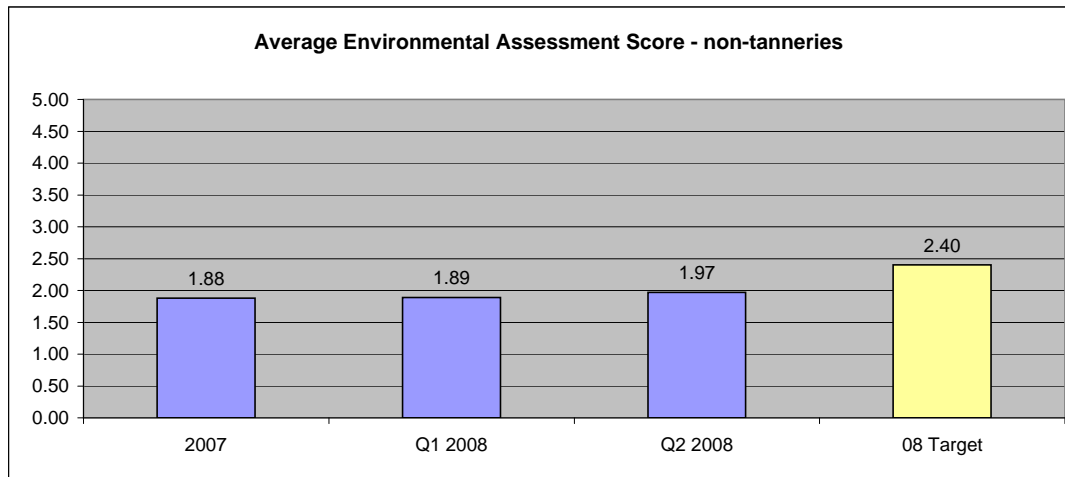
Year	Average Assessment Score
2007	1.88
Q1 2008	1.89
Q2 2008	1.97
08 Target	2.40

**Data Qualifier:** Overall average Environmental Score for all active factories as of end of reporting period based on most recent Code of Conduct assessment ("Current Profile"). Includes all Timberland business units except Tanneries. Tanneries have separate environmental audits.

For background on Timberland's assessment process, please see our 2006 CSR report at:

[www.timberland.com/csreport](http://www.timberland.com/csreport)

**Data Validation:** Data derived from Code of Conduct Assessments, conducted in accordance with internal policies and procedures, to verify factory compliance with Timberland's Code of Conduct. Assessment reports and scores subsequently subject to quality control review by Code of Conduct headquarters team.



**Context**

Average environmental score from the environmental portion of Code of Conduct Assessments, representing the average of 7 scoring elements: Systems; Compliance; Water; Waste; WBA (Water-Based Adhesives); Chemicals; and Energy. Highest possible score is 5.0, representing a zero footprint facility. Target for 2008 is an average score of 2.40, representing a score of 3 in Systems (formal accountability, monitoring, procedures, etc.) and Compliance (full awareness of all regulatory requirements with no high-priority violations); and a 2 for the remaining scoring elements indicating monitoring and reporting of environmental footprint (water, waste, electricity consumption), effective management of hazardous materials with goals for finding alternatives; and utilization of water-based adhesives or hot-melt adhesives in the manufacture of Timberland footwear. To score an average of 3.0, a factory would need to demonstrate achievements in reducing its environmental footprint in all elements. Target for 2008 is to have compliant factories with systems in place to monitor, control, and track their environmental footprint; with future target of 3.0 as reductions are globally realized.

**Analysis**

80 non-tannery assessments scheduled and completed in Q2: 59 continued business partners and 21 new suppliers. The current profile for average environmental score for non-tanneries improved this quarter with 71% of the continued business suppliers improving their environmental scores from prior year and new suppliers scoring 1.99 on average (v. 1.3 in Q1). These improvements were offset, however, with seventeen (17) (or 21%) showing a decrease in one or more of the environmental scoring elements (the majority (9 of them) with respect to Systems); and four (4) (or 1/2%) scoring worse with respect to Compliance - indicating that legal compliance findings were observed with this assessment that were not observed in their previous assessment. Training and development of environmental management systems continues to be a priority focus for our Code of Conduct Specialists in their work with factories.



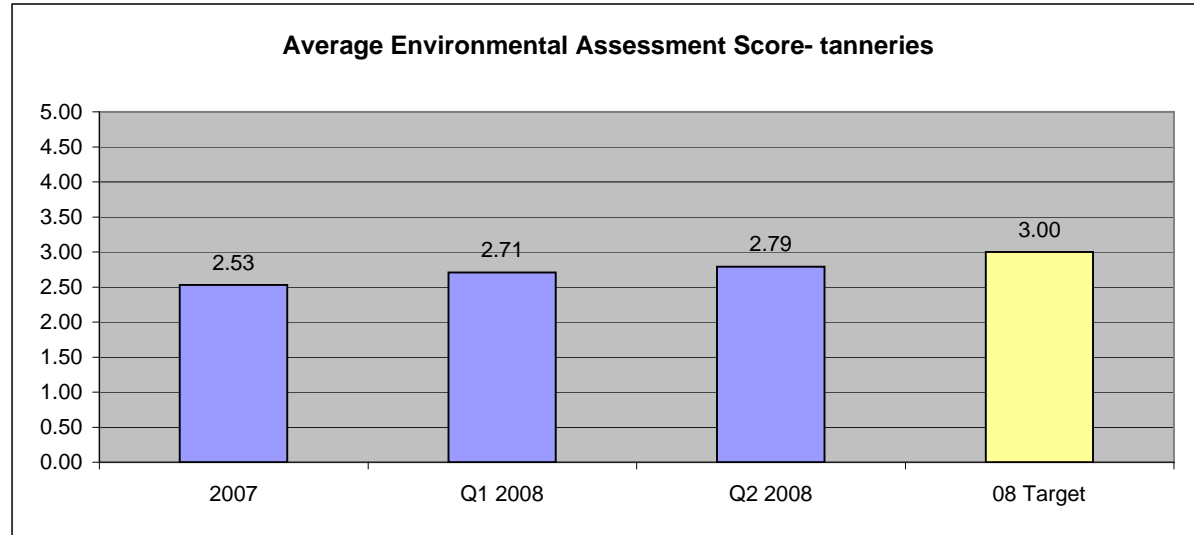
**CSR Strategic Pillar #3: Workplaces**

**Metric: Average Environmental Assessment Score - Tanneries**

Year	Average Assessment Score
2007	2.53
Q1 2008	2.71
Q2 2008	2.79
08 Target	3.00

**Data Qualifier:** Overall average Environmental Score for all active tanneries as of end of reporting period based on most recent Leather Working Group environmental audit ("Current Profile").

**Data Validation:** Data derived from cross-brand Leather Working Group Assessments, conducted by BLC in accordance with established protocols as agreed to by participating brands. Audit reports and scores subsequently subject to quality control review by our Environmental Stewardship team.



**Context**

Footwear leather suppliers undergo an environmental audit by British Leather Company (BLC) under protocols established by the cross-brand Leather Working Group (LWG). Overall total score is converted to a 0-5 scale consistent with Timberland's environmental assessment scoring for non-tanneries. Based on overall total score, tanneries are rated as follows: Failure (0) = Illegal discharge or disposal; Compliant (2) = Compliant with law and minimum brand requirements; Bronze (3) = Above minimum in all subject areas; Silver (4) = Industry-Standard Best Practices employed; Gold (5) = Leading Practices employed. 2008 Overall Target is Bronze (3).

**Analysis**

As of June 30, 2008 there are 28 active tanneries; 24 LWG environmental audit reports have been completed to date. There are 4 tanneries for which the audit has not yet been completed or we have not yet received the report. Currently 14 tanneries scored Compliant; 1 scored Bronze; and 9 scored Silver, with an average overall score of 2.79. With no Failures, production for Timberland is authorized with action plans in process to bring those at the Compliant or Bronze level to Silver by 2010. Factories will be re-audited under the BLC/LWG protocol on at least an 18-month cycle. All new tanneries are required to be Silver.



**CSR Strategic Pillar #3: Workplaces**

**Metric: Progress Seen by Continued Business Partners**

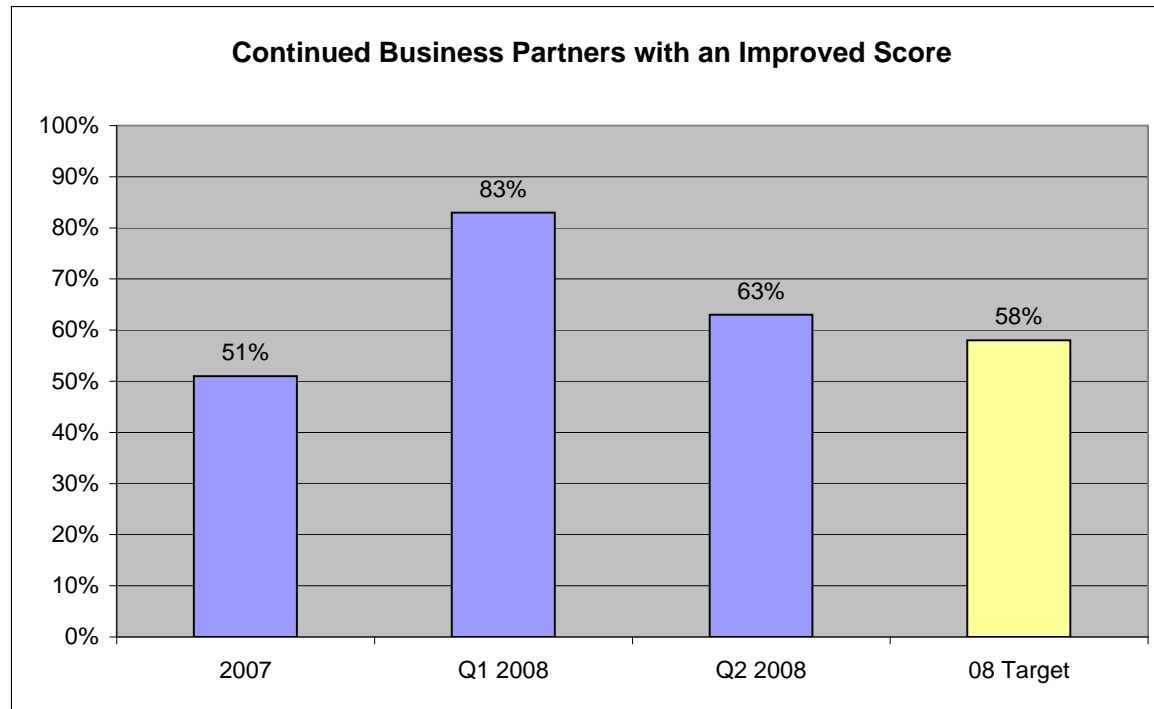
Year	Continued Business Partners with an Improved Score
2007	51%
Q1 2008	83%
Q2 2008	63%
08 Target	58%

**Data Qualifier:** Percent of continued business partners assessed during the reporting period that showed an improved overall Code of Conduct score. Metric includes all business units.

For background on Timberland's assessment process, please see our 2006 CSR report at:

[www.timberland.com/csreport](http://www.timberland.com/csreport)

**Data Validation:** Data derived from Code of Conduct Assessments, conducted in accordance with internal policies and procedures, to verify factory compliance with Timberland's Code of Conduct as specified in Timberland's Workplace Quality Standards Guide. Assessment reports and scores are subsequently subject to quality control review by Code of Conduct headquarters team.



**Context**

This metric tracks the impact of the remediation process by comparing year over year Code of Conduct assessment scores of ongoing suppliers. By working with ongoing suppliers on remediation efforts, we target improved conditions (via improved scores) in our supply chain. See High Priority Factories metric for detailed description of scoring methodology.

**Analysis**

73 continued business partners were scheduled and assessed in Q2: 47 scored higher than their prior assessment (17 moving out of High Priority range and 4 moving out of Acceptable into Partner status); 14 remained stable in their score; and 12 suppliers scored worse due to new issues that were not observed in prior assessments. With focused, dedicated remediation efforts, the majority of our suppliers found sustainable solutions with systems to monitor continuous improvement. For those that were not successful in achieving sustained improvement, remediation plans are being revisited to identify gaps in systems and/or actions. As we continue to increase focus on remediation assistance and increase business unit sourcing pressure, we anticipate that the majority of the remaining factories will likewise show improvements, thus we believe we are on track to exceed our overall year end Target.