

Timberland Quarterly CSR Reporting: Q2 2009

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



Average Assessment Score

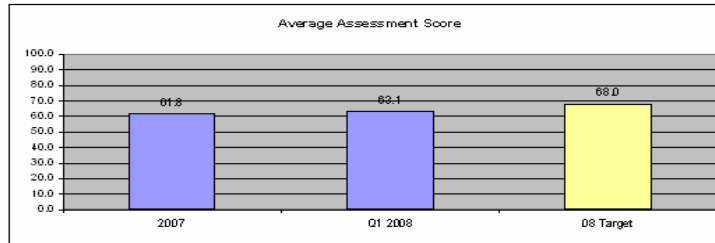
Year	Average Assessment Score
2007	61.8
Q1 2008	63.1
08 Target	68.0

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/csreport

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

Analysis



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

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.

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

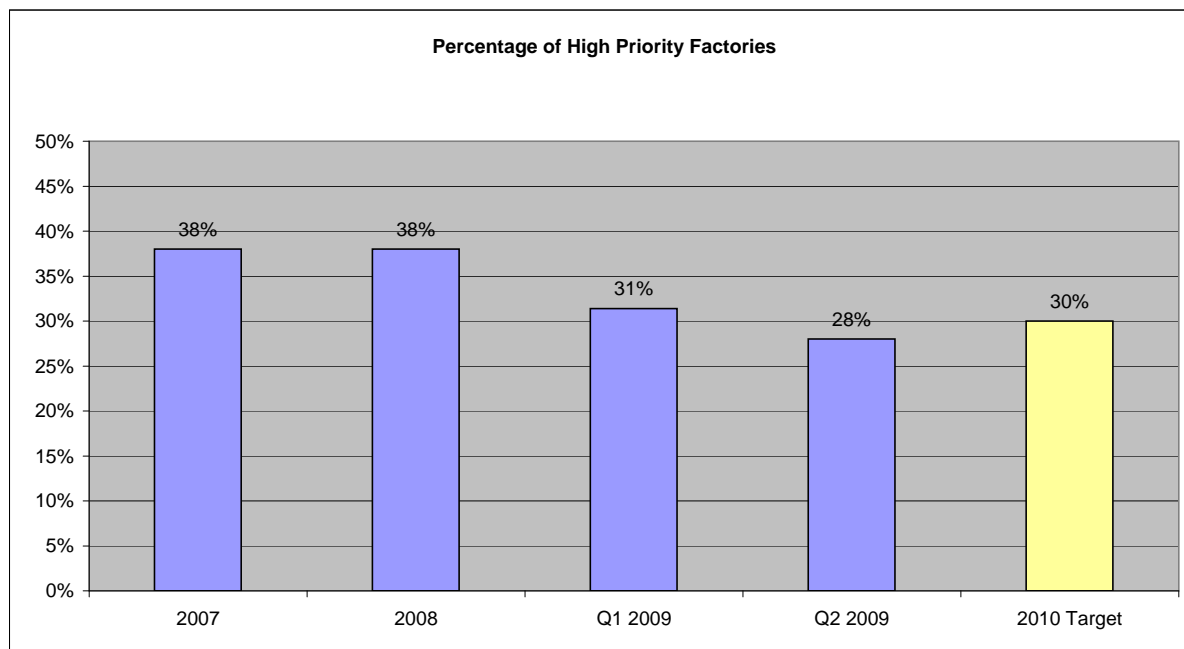
Metric: Percentage of "High Priority" Factories

Year	High Priority
2006	51%
2007	38%
2008	38%
Q1 2009	31%
Q2 2009	28%
2010 Target	30%

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/csrreport

Data Validation: Data is 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

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

Analysis

At the end of Q2, 2009 our value chain consisted of 293 factories, with 81 having a score of High Priority (down from 97 at end of Q1). While 9 new suppliers scored High Priority and 7 continued business partners decreased in score to the High Priority range, 17 continued business partners assessed in Q2 realized improved scores moving them out of the High Priority range and 18 suppliers of High Priority score were dropped in Q2 (for various sourcing reasons). We anticipate this trend to continue in Q3 as remediation efforts continue, leading to improved scores with other continued business partners, and as our value chain team continues to streamline suppliers and selectively add new suppliers with social compliance as part of the pre-selection process. For those suppliers whose scores decreased and moved into the High Priority range, 5 were a result of poor management systems to guarantee workers receive legally required wages and benefits which resulted in some remuneration oversights; 1 factory had poor management or recordkeeping of working hours; and 1 factory had poor production/capacity planning which resulted in excessive hours. Remediation plans are in process and each of these facilities will be re-assessed in Q4.



CSR Strategic Pillar #3: Workplaces

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

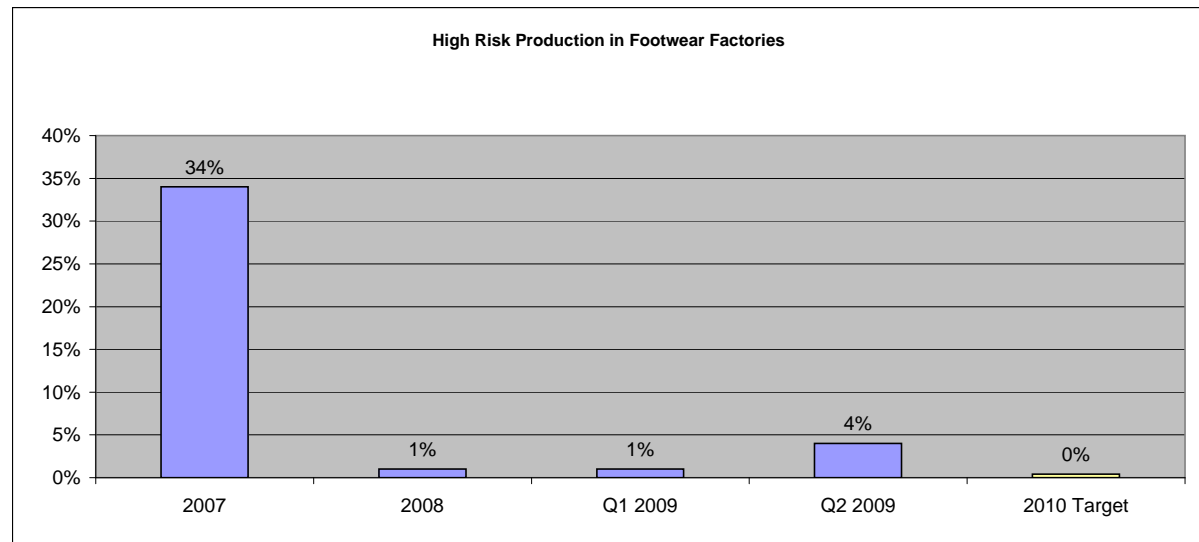
Year	Production
2007	34%
2008	1%
Q1 2009	1%
Q2 2009	4%
2010 Target	0%

Data Qualifier: Percent of footwear production planned for the calendar year placed in factories with High Risk Ratings as of their last assessment (Current Profile).

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

www.timberland.com/csrreport

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)). For factories that receive High Risk ratings, Timberland assessors revisit the factory within a 90-day period to ensure corrective actions are taken. This metric is reported quarterly based on updated assessment results.

Current metric focuses on Footwear production only. We stated in 2008 that we planned to report on additional business units in 2009. However, we are still in the process of gathering data from our other Business Units and verifying the data quality.

Analysis

The percent of footwear production placed with "high risk" factories increased to 4%. The high risk issues at our supplier in India (as reported in prior quarters) such as overtime premium not being calculated properly and improper chemical management have been resolved; however, one of our footwear factories in Vietnam (representing 4% of our overall annual footwear production volume) that was assessed in Q2 was found to have high risk issues related to environmental management systems involving wastewater. Remediation updates indicate that this issue has now been resolved and this factory will be reassessed in Q4 to confirm sustainability.



CSR Strategic Pillar #3: Workplaces

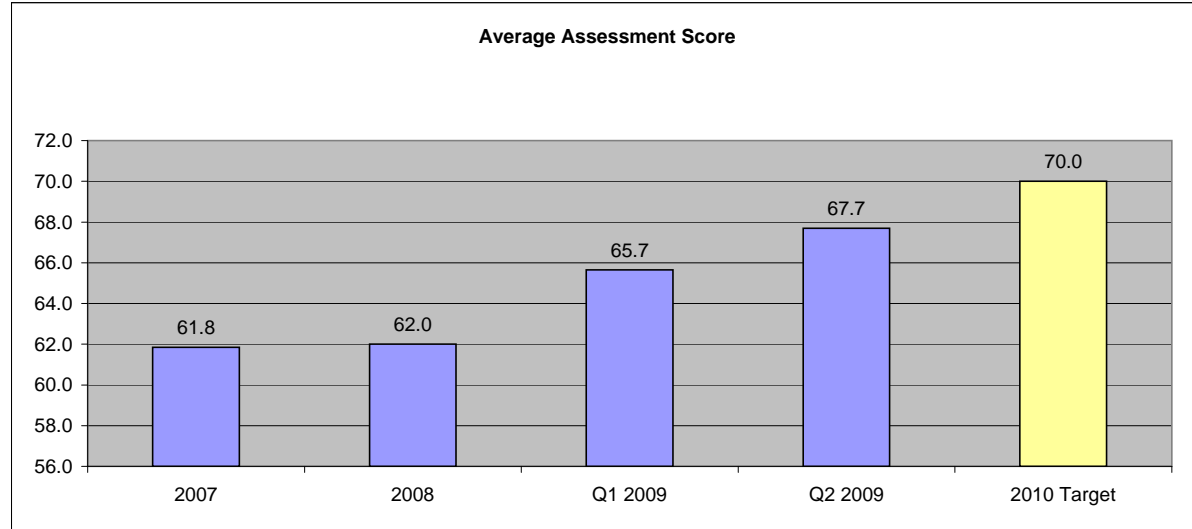
Metric: Average Assessment Score

Year	Average Assessment Score
2007	61.8
2008	62.0
Q1 2009	65.7
Q2 2009	67.7
2010 Target	70.0

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 Timberland business units.

For background on Timberland's assessment process, please see our 2006 CSR report at: 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 are subsequently subject to quality control review by Code of Conduct headquarters team.



Context

Traditionally, new suppliers score low on their initial assessment as a result of this being their first introduction to our high standards. See High Priority Factories metric for detailed description of scoring methodology.

While we did not meet our 2008 target for overall average Code of Conduct Assessment Score (target of 68), we have raised our 2010 target to 70, as we expect continuing business partners to improve their score year-over-year, which should drive an increase in overall score year-over-year. This metric, however, is also dependent upon the scores of new suppliers.

Analysis

97 assessments were completed in Q2 2009: 25 new suppliers and 72 continuing business vendors. Our overall average score increased further this quarter as 75% of the continued business partners assessed in Q2 realized an increase in score, 18 High Priority factories were dropped, and 52% of the new suppliers scored Acceptable or better. We expect these trends of 1) High Priority factories being dropped, 2) selection of new suppliers improving, and 3) continued business partners improving their score to continue as we improve our value chain selection process and remediation efforts. Our Q2 2009 results show that we continue on track to meet our 2010 target.



CSR Strategic Pillar #3: Workplaces

Metric: Average Environmental Assessment Score - Not Including Tanneries

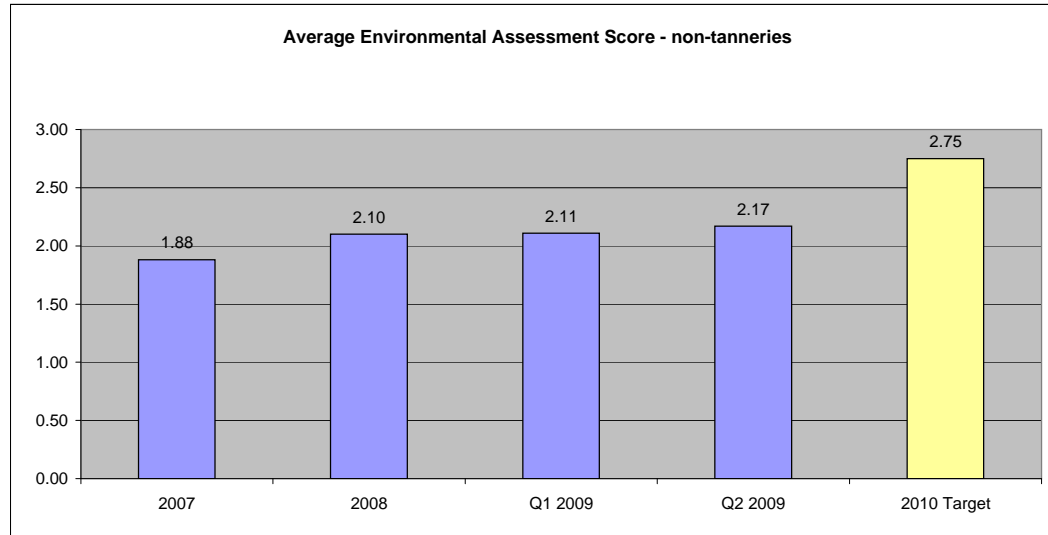
Year	Average Environmental Assessment Score
2007	1.88
2008	2.10
Q1 2009	2.11
Q2 2009	2.17
2010 Target	2.75

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 factories from which Timberland business units source. Tanneries have separate environmental audits and are not included here.

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

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 subsequently subject to quality control review by Code of Conduct headquarters team.



Context

Average environmental score comes from the environmental portion of our Code of Conduct Assessments. The average environmental score represents the average of 7 scoring elements: Systems; Compliance; Water; Waste; WBA (Water-Based Adhesives); Chemicals; and Energy. Highest possible score is 5.0, representing environmental best practice. Our target for 2010 is an average score of 2.75, representing in general 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 3 for at least three of the remaining scoring elements indicating demonstrated achievements to reduce their environmental footprint. To score an average of 3.0, a factory needs to demonstrate achievements in reducing its environmental footprint in all elements. We expect to realize our 2010 target as a result of increased efforts to work with factories to implement Environmental Management Systems (EMS), which will drive improvements in all scoring elements.

Analysis

There were 87 non-tannery assessments completed in Q2: 64 continued business partners and 23 new factories. The current profile for the average environmental score of non-tanneries improved this quarter with 44 continued business partners (or 69%) improving their score from the prior year and only 7 factories having decreased scores. The overall average did not increase further due to the low environmental scores of the 23 new suppliers who averaged a score of 1.95 with only 3 scoring above the target score. We anticipate these new suppliers will achieve improved scores as we work with them on environmental management system implementation. While we expect to realize our 2010 target, we are also cognizant that reaching this goal is dependent upon the introduction of new suppliers and their existing level of environmental awareness.



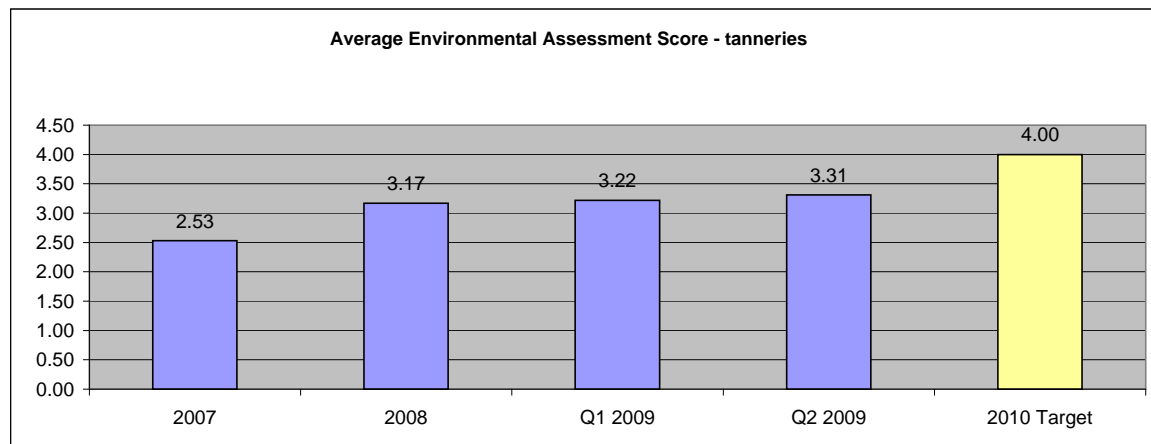
CSR Strategic Pillar #3: Workplaces

Metric: Average Environmental Assessment Score - Tanneries

Year	Average Environmental Assessment Score
2007	2.53
2008	3.17
Q1 2009	3.22
Q2 2009	3.31
2010 Target	4.00

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 British Leather Company (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 all factories. Based on the 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. Our 2010 Target is Silver (4), as we intend to only source from Silver-rated tanneries by year end.

Based on the timing of LWG audits, we may receive tannery audit scores after our quarterly disclosure has been published. When this occurs, we will correct the scores reported with updated data and disclose the change.

Analysis

At end of Q2, there were 30 active tanneries with an average environmental assessment score of 3.31. In Q2, 5 LWG audits were completed with 4 tanneries scoring Silver and one scoring Gold, bringing our total count of Silver rated tanneries to ten and Gold to three. Action plans remain in process toward bringing the remaining tanneries at the Compliant or Bronze level to Silver by end of 2010. We are pleased with the progress tanneries have made in this new program and are optimistic that we are on track to meet our 2010 goal.



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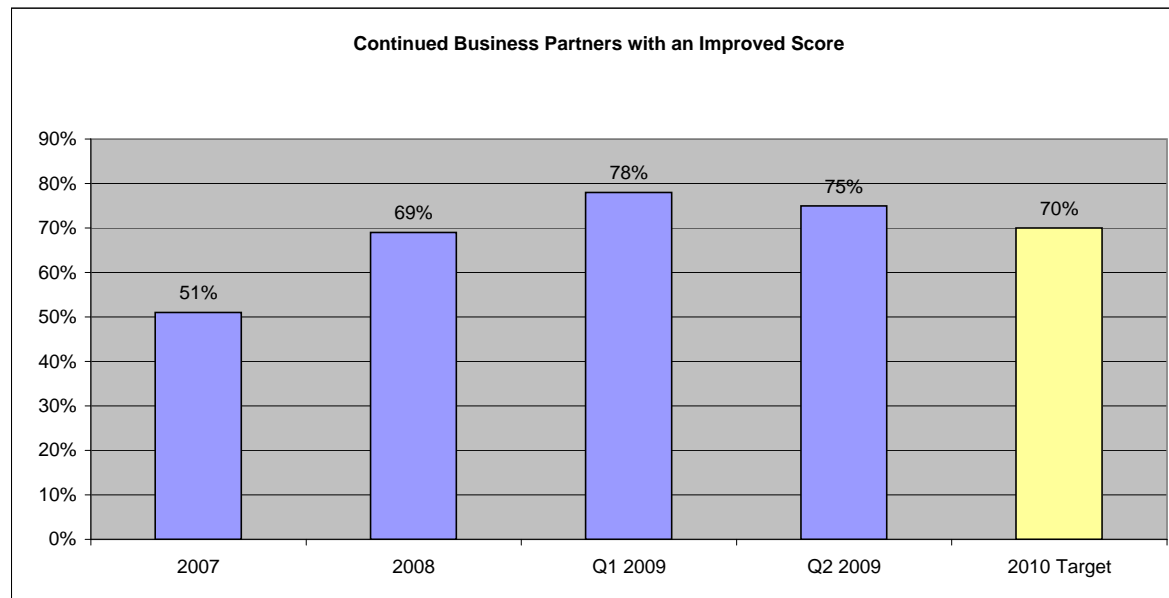
Metric: Progress Seen by Continued Business Partners

Year	Continued Business Partners with an Improved Score
2007	51%
2008	69%
Q1 2009	78%
Q2 2009	75%
2010 Target	70%

Data Qualifier: Percent of continued business partner factories 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

Data Validation: Data is 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

72 continued business partners were assessed in Q2, with 54 (75%) scoring higher than their prior assessment (on average, 16 points higher). Nineteen (19) moved into the Acceptable category and ten (10) into Partner range. For those that were not successful in achieving sustained improvement, remediation plans are being revisited to identify gaps in systems and/or actions - particularly those that remained in the High Priority scoring range (these factories will be re-assessed in 6-9 months). As we continue to focus on remediation efforts, we expect similar results in Q3.