

Timberland Quarterly CSR Reporting: Q3 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

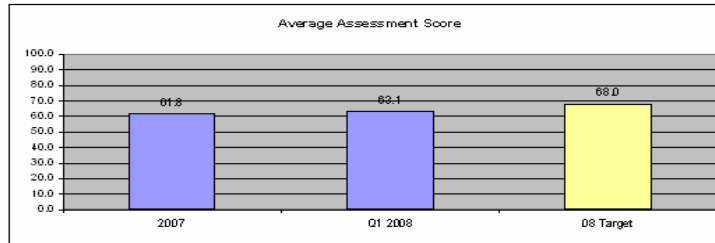
Year	Average Assessment Score
2007	61.8
Q1 2008	63.1
08 Target	68.0

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

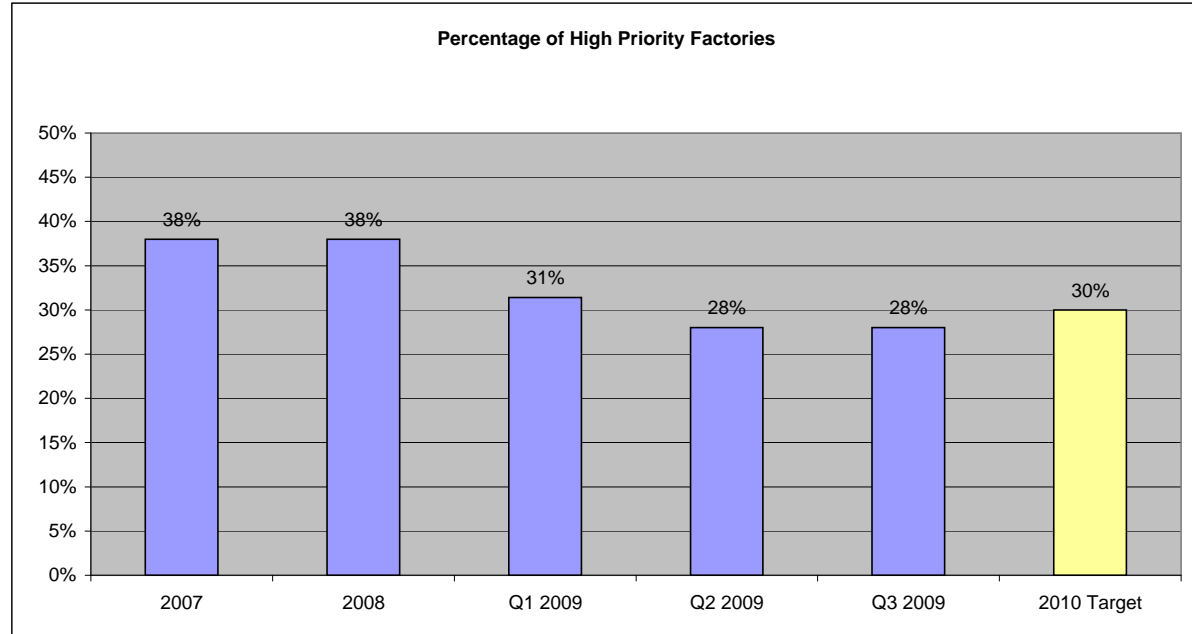
Metric: Percentage of "High Priority" Factories

Year	High Priority
2007	38%
2008	38%
Q1 2009	31%
Q2 2009	28%
Q3 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/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

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 Q3, 2009 our value chain consisted of 288 factories, with 81 (approximately 28%) having a score of High Priority (no change from Q2). 58 assessments were completed in Q3; this represents a lighter assessment period, as Assessors spent more time on remediation assistance in preparation for final Q4 assessments. While eleven (11) of the 21 suppliers that were dropped (for various sourcing reasons) in Q3 had High Priority scores, seven (7) of the 11 new suppliers scored High Priority. Often new suppliers score lower on our initial assessments as they have not previously been held to such standards. As long as there is a true willingness and understanding by the factory to make necessary improvements, we will proceed with production and assist with remediation efforts. That said, the process and importance of new supplier screening by sourcing managers for Code issues is being revisited and reinforced internally.

Additionally, while 60% of our continued business partners improved their score in Q3 (see Progress metric) only two (2) moved out of High Priority range and four (4) decreased in score to the High Priority range. We are disappointed in not having realized better scores with the 10 continued business partners that continue to have High Priority scores. Where improved scores were not realized, our assessors have revisited prior action plans with the factories to understand the root cause for the lower score. All High Priority factories are set to a 6-9 month assessment frequency with active monitoring of action plans and remediation assistance.



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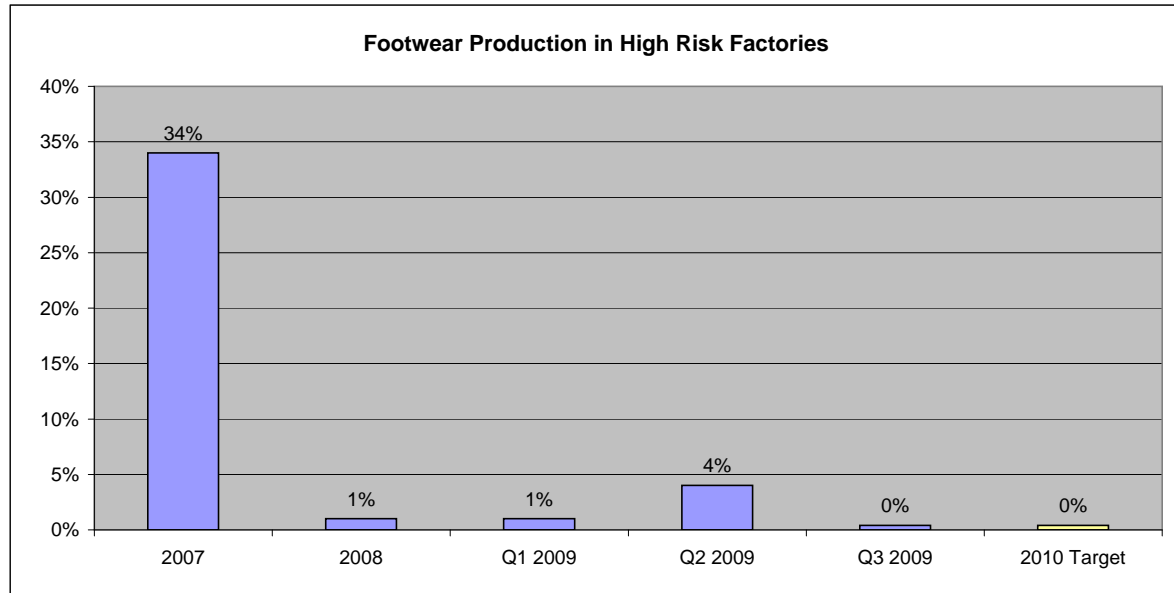
Metric: Percentage of Production in "High Risk" Footwear Factories

Year	Production
2007	34%
2008	1%
Q1 2009	1%
Q2 2009	4%
Q3 2009	0%
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% in Q2 due to high risk issues identified at one of our footwear factories in Vietnam (representing 4% of our overall annual footwear production volume). An action plan to resolve the issues related to environmental management systems for wastewater, was quickly implemented and remediation updates indicate that this issue has now been resolved, bringing our Q3 performance to zero percent. This means we are not currently sourcing from any factories that fall into our "high risk" category. The factory in Vietnam with issues in Q2 will be reassessed in Q4 to confirm sustainability.



CSR Strategic Pillar #3: Workplaces

Metric: Average Assessment Score

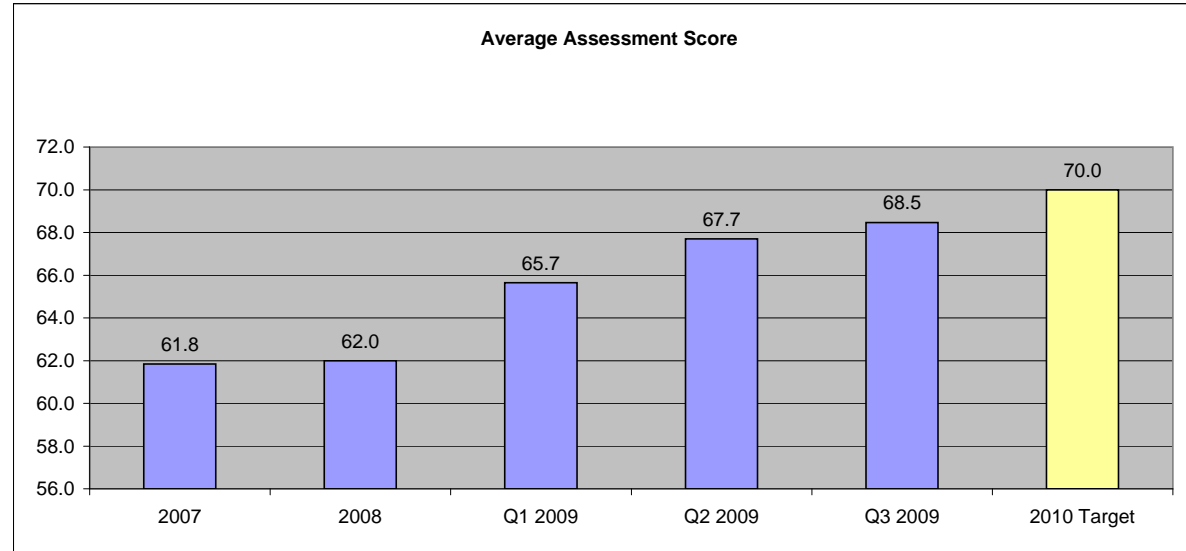
Year	Average Assessment Score
2007	61.8
2008	62.0
Q1 2009	65.7
Q2 2009	67.7
Q3 2009	68.5
2010 Target	70.0

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/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

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. 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.

Analysis

58 assessments were completed in Q3 2009: 11 new suppliers and 47 continuing business partners. Our overall average score increased this quarter as 60% of continued business partners assessed in Q3 realized an increase in score and 11 High Priority factories were dropped. Only 36% of the new suppliers scored Acceptable or better. Often new suppliers score lower on our initial assessments as they have not previously been held to such standards. As long as there is a true willingness and understanding by the factory to make necessary improvements, we will proceed with production and assist with remediation efforts. That said, the process and importance of new supplier screening by sourcing managers for Code issues is being revisited and reinforced internally. We are optimistic that Q4 results will show stronger improvements following the increased focus on remediation efforts in Q3. This metric, however, is also dependent upon the scores of new suppliers introduced in Q4.



CSR Strategic Pillar #3: Workplaces

Metric: Average Environmental Assessment Score - Not Including Tanneries

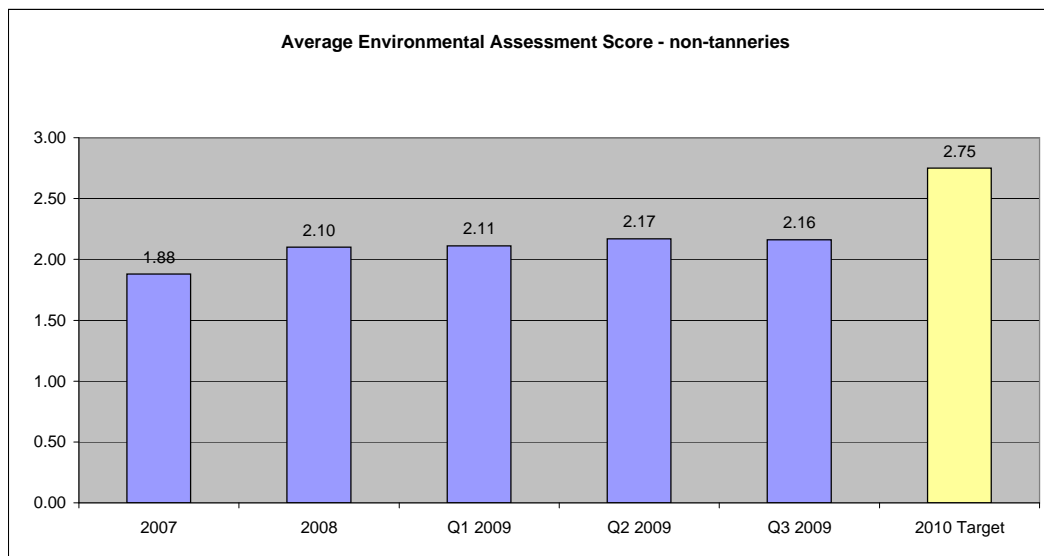
Year	Average Environmental Assessment Score
2007	1.88
2008	2.10
Q1 2009	2.11
Q2 2009	2.17
Q3 2009	2.16
2010 Target	2.75

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/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 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 53 non-tannery assessments completed in Q3 - 42 continued business partners and 11 new suppliers. The current profile for the average environmental score of non-tanneries dropped slightly this quarter. While 31 continued business partners (or 74%) improved their score from the prior year, 5 factories experienced decreased scores. Additionally, some factories with higher environmental scores were dropped (for various sourcing reasons) causing the overall average to drop slightly. We are pleased that 74% of continued business partners improved their environmental score from the prior year, indicating our team's ability to raise awareness and improve knowledge within the factory as well as demonstrating factories' ability to implement improved Environmental Management Systems. We expect this trend to continue as we increase our training efforts and improve our implementation guidelines in 2010. With that, we expect scores to continue to increase toward our 2010 target but are also cognizant that reaching this goal is dependent upon the introduction of new suppliers and their existing level of environmental compliance.



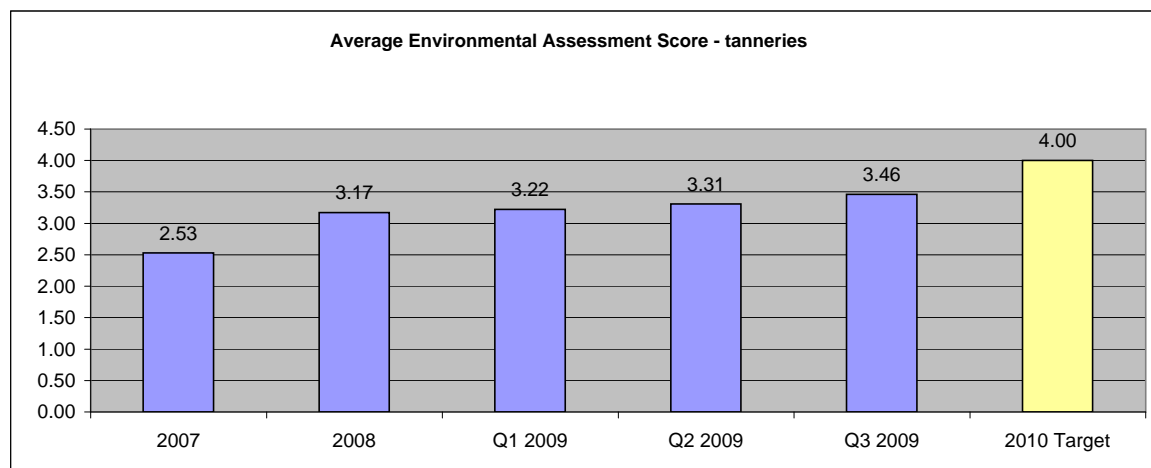
CSR Strategic Pillar #3: Workplaces

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
Q3 2009	3.46
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 Q3, there were 30 active tanneries with an overall average environmental assessment score of 3.46. In Q3, 5 LWG audits were completed with 3 tanneries scoring Silver bringing our total count of Silver rated tanneries to thirteen (13) and Gold remaining at three (3). Action plans are in process to bring the remaining tanneries at the Compliant or Bronze level to Silver by end of 2010. The progress tanneries have made in this new program shows positive outcomes. As a result we are on track to meet our 2010 goal.



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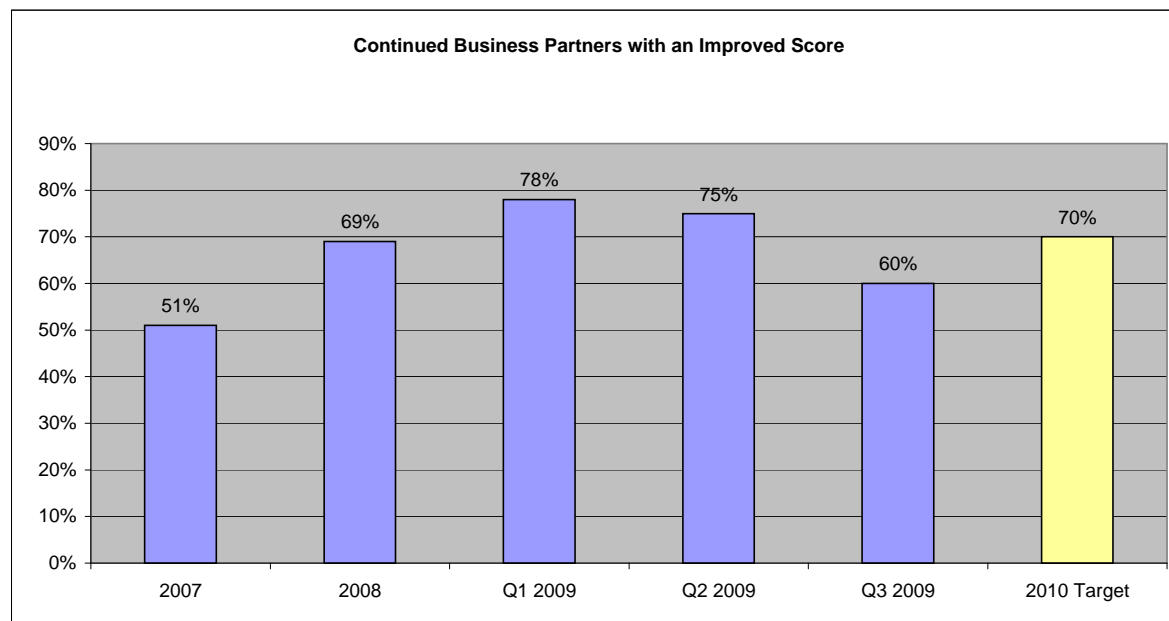
Metric: Progress Seen by Continued Business Partners

Year	Continued Business Partners with an Improved Score
2007	51%
2008	69%
Q1 2009	78%
Q2 2009	75%
Q3 2009	60%
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

47 continued business partners were assessed in Q3, with 28 (60%) scoring higher than their prior assessment (on average, 10 points higher). While only 60% showed an increase in score, the overall average score improved this quarter (see Average Score metric). Three (3) continued business partners improved their scores enough to move into the Acceptable category and five (5) moved into the Partner range - bringing our total count of Partners to 60 (or 21% of all suppliers).

We are disappointed in not having realized better scores with the 10 continued business partners that continue to have High Priority scores. Where improved scores were not realized, our assessors have revisited prior action plans with the factories to understand the root cause for the lower score. Most often, it is a management system gap that caused corrected issues to resurface; in other instances, focus shifted to identified issues which left other matters unattended, resulting in new issues - another symptom of lacking solid management systems. Corrections to these system gaps are required as part of the action plans going forward. All High Priority factories are set to a 6-9 month assessment frequency with active monitoring of action plans and remediation assistance. Significant time and resources were dedicated to remediation efforts in Q3, in preparation for final Q4 assessments - as such we anticipate better results in Q4.