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## KEY PERFORMANCE INDICATORS

| FOCUS  | CATEGORY                   | INDICATOR   | ANNUAL PERFORMANCE |                   |         | TARGETS           |        |
|--|----------------------------|---|--------------------|-------------------|---------|-------------------|--------|
|  |                            |   | 2006               | 2007              | 2008    | 2010              | 2015   |
| Climate and Energy                           | Footprint                  | Metric Tons of Carbon Emissions <sup>1</sup>                        | 25,559             | 23,037            | 18,781  | 12,800            | 6,400  |
|  | Renewable Energy           | Renewable Energy as Percentage of Total Energy Use <sup>1</sup>     | 5.73%              | 4.99%             | 6.67%   | 39%               | 60%    |
|  | Supply Chain               | Metric Tons of Emissions for Footwear Factories                     | New metric in '07  | 116,760           | 104,887 | Baseline          | NT     |
| Cradle-to-Cradle Product                     | Green Index®               | Average Green Index® Score (weighted by production of scored shoes) | New metric in '07  | 6.31              | 6.13    | TBD <sup>2</sup>  | NT     |
|  | Chemicals                  | Average Grams/Pair of Volatile Organic Compounds (VOCs)             |                    | New metric in '08 | 74.9    | 71.2 <sup>3</sup> | NT     |
|  | Raw Materials              | Percentage of Total Cotton Sourced that is Organic <sup>4</sup>     | 5.70%              | 7.35%             | N/A     | TBD <sup>2</sup>  | NT     |
| Fair, Safe and Non-discriminatory Workplaces | Purchasing Practices       | Percentage of footwear production in "High Risk" factories          | New metric in '07  | 34%               | 1%      | 0%                | 0%     |
|  |                            | Percentage of "High Priority" factories                             | 50%                | 38%               | 38%     | 30%               | 20%    |
|  | Scoring                    | Average Assessment Score  | 57.0               | 61.9              | 62.0    | 70.0              | 75.0   |
|  |                            | Average Environmental Score (not including tanneries)               | 2.12               | 1.88              | 2.10    | 2.75              | 3.00   |
|  |                            | Average Environmental Score (including tanneries)                   | 2.53               | 2.53              | 3.17    | 4.00              | NT     |
|  | Improvement                | Percentage of Continued Factory Partners with Improved Score        | 55%                | 51%               | 69%     | 70%               | 70%    |
| Community Service                            | General Service Statistics | Hours Utilization Rate (HUR)  | 39%                | 40%               | 38.8%   | 41%               | 45%    |
|  |                            | Hours Spent Serving the Community                                   | 80,632             | 86,037            | 79,018  | 80,262            | 87,784 |
|  |                            | Benefit Utilization Rate (BUR)                                      | 71%                | 76%               | 77%     | 80%               | 84%    |

<sup>1</sup> Timberland's carbon footprint includes emissions from facilities we own and operate (such as offices, distribution centers, our manufacturing facility in the Dominican Republic and retail locations) and emissions from employee air travel. These emissions represent approximately 4% of Timberland's influence in the value chain. The other 96% of our carbon footprint comes from emissions from inbound transportation, emissions from finished product footwear factories and emissions embedded in the raw materials of our product. We have yet to determine adequate measurement and tracking of emissions from apparel factories licensees, or the IPATH® and howies® brands.

As of December 2008, we revised historical data from 2006 (our current baseline) through year end 2008 to account for updated emissions factors provided by the World Resources Institute (WRI)/ World Business Council on Sustainable Development (WBCSD) Greenhouse Gas (GHG) Protocol. In this process, we also discovered historical accounting errors in our 2006, 2007 and 2008 data, mostly due to better record-keeping and improved understanding of energy consumption. As a result, we have restated our 2006 baseline, and 2007 and 2008 performance accordingly. Please note we are also restating our long-term emissions reductions goals in order to maintain our absolute emissions reductions targets of 24% in 2008 and 50% in 2010 (over the 2006 baseline). We are on track to have our GHG Inventory verified by a third party by 2010.

<sup>2</sup> TBD targets are those that we plan to disclose in late 2009 after we have verified data quality for internal calculation purposes.

<sup>3</sup> Target for new metric of Average grams/pair of Volatile Organic Compounds (VOCs) is for 2009 rather than 2010 because this is the first year we are disclosing this data.

<sup>4</sup> We do not have 2008 year-end data for percentage of total cotton sourced that is organic because we began licensing apparel during 2008. As a result, mid-2008 performance is not directly comparable to other data points; as of 2009, this metric includes licensee data and is a global metric.

NT stands for No Target. We will set long-term targets in 2010 for these metrics.

# From the CEO



Like most companies that claim a level of transparency, Timberland has been producing Corporate Social Responsibility reports for some time. What started as an effort to communicate our social and environmental impacts has become a maniacal focus on providing stakeholders with poignant information about our objectives and successes in reducing those impacts. We're diligent about putting forth comprehensive data on how we engage

stakeholders. And we've worked hard to refine our strategy, transparency and overall communication.

In the past, we'd heard the longer a report, the more likely it will win an award. And while we like awards, we felt those longer reports hadn't reached all the people necessary to bring about sustainable change. Nor did we have a good sense of who was reading our reports or what they were taking from them. Of course CSR practitioners are an important audience, but if we focus only there, we miss the opportunity to share our mission with consumers, suppliers and the people who run this company. So we spent 2007 and 2008 crafting a platform that would be innovative and collaborative.

In 2007, we focused on development. We formalized our CSR team, bringing together disparate groups in our company to create a holistic strategy focused on four key pillars: energy, product, workplace and service. We set about linking our mission of commerce and justice to our business more than ever—engaging a new CSR Committee on our Board of Directors charged with overseeing environmental and social strategy development.

2008 focused on impact. With a renewed focus on material issues, we considered ways to leverage the greatest impact from our programs, resources and partnerships. We also sought to communicate with stakeholders in more meaningful ways. We began reporting our CSR performance quarterly, including public conference calls that I host. We started using web 2.0 platforms, inviting stakeholders to discuss issues while broadening the diversity of groups we interact with—especially consumers.

During the last two years, we've had many successes, such as reducing our greenhouse gas emissions by 27%, nearly eliminating "high risk" issues in our footwear factories from sourcing channels and exceeding our targets for using organic cotton in apparel. But we've also encountered some challenges, such as being unable to completely eliminate PVC from our footwear or engage our employees in more community service. Our pursuit of sustainability drives us to use our influence to create positive change, and we're still seeking results. While new forums have allowed us to be transparent and learn more from different people, I'm still not satisfied.

To complement this report, we're re-launching our web 2.0 approach on [www.earthkeeper.com](http://www.earthkeeper.com) to take conversations further—with external audiences and employees. Our 2009 focus is on integration—ensuring CSR is core to our business and that all employees think of CSR as part of their job. It makes business sense to ensure our workers are treated equitably, and it makes sense for us as an outdoor brand to take a stand for the environment. This is what we call Earthkeeping. It means taking action as stewards of the earth and enhancing communities where we live and work. Our goal is to create an inspired and informed movement of individuals, as every one of our actions adds up.

Sustained execution is what we'll focus on next. While we don't have all the answers, we want to build from where we've come. We'll continue to challenge ourselves, our competitors and business at-large to reach the highest levels of accountability. In these times of economic change, we must reduce our collective contribution to global warming, create sustainable products, improve workers' quality of life and empower our employees and local communities. We invite you to join our Earthkeeping mission and do your part.

Jeffrey Swartz  
President and CEO

## Navigation & Icons

Throughout this report, we've provided icons that will help guide readers. These icons also link to online forums where we invite you to learn more about our approach and engage in interactive dialogue with key thought leaders, practitioners and consumers. These icons are shown as:



### DATA MINERS

For those wishing to gain a quantitative understanding of Timberland's progress in CSR, this is for you. The data in our printed report presents a holistic and detailed view of our annual results. The numbers speak for themselves, so you won't find a "tag" on every data point. But there's more! [You can also track our performance online where we disclose quarterly updates.](#) Compare our annual results against our ongoing progress and analysis. Ask questions and share your feedback.



### ROOT CAUSE SEEKERS

So you'd like to know a lot more about our approach or get a sense of how this compares with others in our industry. Are we focusing on the right issues? How can we improve? If you're looking for discussion about root causes and topic areas, this icon denotes that there's much more material for you to review. Primarily, we'll be directing you to our [Dig Deeper papers](#) and [Voices of Challenge dialogue](#). As we release this report, the conversations are just getting started. Your voice is important! Join our stakeholder network and see for yourself.



### GENERAL AUDIENCE

In addition to the map of impacts embedded in this report, stakeholders can gain high-level understanding about our CSR strategy by visiting [www.timberland.com](http://www.timberland.com) and [www.earthkeeper.com](http://www.earthkeeper.com). Here, you can find high-level overviews about our four CSR pillars and review a general summary of our strategies. Browse our website. Read the Earthkeeper blog. Learn about upcoming events and new Timberland initiatives. We look forward to hearing from you.



WHEN YOU SEE THIS ICON, GO ONLINE TO FIND OUT MORE INFORMATION.



# The Timberland Footprint

## Timberland CSR Strategy

Timberland's mission is to equip people to make their difference in the world. And we believe that as we pursue this mission, our business can be a model for both commerce and justice. Timberland has a long history in this regard. Driven by four core values—Humanity, Humility, Integrity and Excellence—we have pioneered several progressive environmental and social programs. But it wasn't until 2007 that our corporate organization brought these programs together under one umbrella of Corporate Social Responsibility. (See the Governance & Accountability section for details about our management structure.) At that time, we also formalized Timberland's Four CSR Pillars: Energy, Product, Workplace and Service. Embedded in each pillar is a commitment or bold goal that drives our strategy in that arena.

### { FOUR PILLARS OF CSR STRATEGY }



We didn't come up with Timberland's Four Pillars of CSR on our own. The areas of energy, product, workplace and service represent our material impacts. By materiality, we mean information that is useful in decision making for financial and beyond financial performance. AccountAbility defines materiality as relevant to a company if it effects the following areas<sup>1</sup>:

- Financial performance
- Ability to execute stated strategies and policies
- Best practices of the industry as established by peers and competitors
- Stakeholders' behavior
- Social norms or expectations.

**G** Timberland's material impacts are important topics that our stakeholders—that is, consumers, non-governmental organizations (NGOs), suppliers, shareholders and our own employees—have asked for more information about, through formal and informal feedback. We've even reached out to our competitors, and they agree on the importance of these issues.

## Stakeholder Engagement

As a publicly traded enterprise and a corporate citizen, Timberland is committed to engaging stakeholders in dialogue and action to reduce our global footprint. Our stakeholder constituency is broad and diverse, and includes groups or individuals who can affect—or are affected by—our company. Our approach to stakeholder engagement focuses on two central tenets—transparency and accountability.

- **Transparency** enables us to engage in candid dialogue with stakeholders, challenge assumptions and encourage innovation. It also helps us build trust with these partners and critics to deepen our understanding of our impact on the world and advance our approach to corporate social responsibility.
- **Accountability** similarly drives our efforts to seek public and stakeholder input as we pursue our commitment to commerce and justice. By communicating our performance, stakeholders can measure our progress and hold us accountable for planned improvements.

1. AccountAbility is an international not-for-profit that works with partners in business, the public sector and civil society to build best practices on issues like competitiveness, collaborative governance and citizen engagement. See <http://www.accountability21.net/>.

In order to inform and constantly improve our CSR strategy, we turn to the expertise of partners and critics alike for input on key issues, peer benchmarking and best practices. We use their feedback to help us set targets, prioritize resources and determine appropriate communication vehicles. By actively pursuing progress and generating outcome-oriented dialogue with stakeholders, we believe we are ensuring that Timberland will reduce its global impacts—and ultimately compete more effectively in the future.

## NEW APPROACHES TO ENGAGEMENT

In the past, we engaged stakeholders formally a few times a year, usually around our CSR reporting efforts, and this one-way information sharing resulted in the publication of what was then an annual report.

However, we knew we wanted a more meaningful engagement with our stakeholders, so in 2008 we added new dimensions to our approach. Now, we are communicating in ways that promote dynamic, two-way interaction through the following media:

- D** • **Quarterly reporting**—We now release key performance indicators every quarter in order to give details about our performance more frequently and to synchronize the disclosure of CSR performance data with our financial-disclosure calendar.
- R** • **Quarterly CSR dialogues with our CEO**—Regular access to top decision-makers enhances our accountability and maintains a conversation with our stakeholders as we consider emerging issues for our company and the industry.
- G** • **Creating an Earthkeeper community online**—We are hosting our new reporting and stakeholder engagement forums on [www.earthkeeper.com/csr](http://www.earthkeeper.com/csr), a web 2.0 platform that allows stakeholders to interact with Timberland in real time as they pose ideas, questions and challenges.

## BECOME AN EARTHKEEPER

Timberland's Earthkeeping mission is an important facet of our business strategy in both the traditional and CSR arenas. As an outdoor brand, we make products for consumers to use in the environment that surrounds them—that is, everything from urban green spaces to far-reaching mountains. Earthkeeping gives us the opportunity to merge our missions of commerce and justice as we strive to steward the natural and built environments, and to further the sustainability of our planet. And it makes good business sense, too. After all, without the outdoors, our consumers have nowhere to use our products.

Any stakeholder can become an Earthkeeper. Our online community is designed to demystify environmental and other CSR issues by providing meaningful, real and fun ways to reduce their footprints. For example, Earthkeepers have planted virtual trees through a Facebook application that Timberland matched with the planting of real trees. Other initiatives include following Earthkeeper Heroes, engaging retail consumers and inviting partners to join us in service. We hope you will join us in Earthkeeping. Visit [www.earthkeeper.com](http://www.earthkeeper.com) for more opportunities to engage.



## JOIN OUR VOICES OF CHALLENGE DIALOGUE

With our new online community, we hope to reach a wider audience of stakeholders and incorporate their feedback as we develop our CSR strategies. Timberland's Voices of Challenge puts key thought leaders, issue experts and practitioners at the heart of the online dialogue we are looking to create. Throughout this report, you'll find quotes from stakeholders who have responded to a question or challenge that corresponds with one of our CSR pillars. Read through this report to see whose responses have helped us frame the issues. Go to [www.earthkeeper.com/voicesofchallenge](http://www.earthkeeper.com/voicesofchallenge) to read their full, unedited responses and become part of the growing Earthkeeper community. Join the conversation to add your voice, discuss opportunities and challenges, pose questions and engage!

## ENGAGEMENT IN 2007–2008

Over the past two years, as we've moved toward issue-specific dialogues with our stakeholders, we've used their feedback to help shape each one of our pillar strategies:


- R** • **Energy**—Climate experts provided feedback on emissions reduction targets, our focus on reductions as opposed to offsets and strategies to address the carbon footprint of our value chain.
- P** • **Product**—We received methodology feedback from environmental experts on our Green Index® label before refining and presenting it to 40 companies in the Outdoor Industry Association as a model for standardization.
- W** • **Workplace**—Stakeholders reviewed our strategy for reducing working hours in our supply chain and suggested areas for improvement, such as clarifying the scope of the factories assessed, the relationship between sourcing and wages, and brand ownership over root causes.
- S** • **Service**—We also received feedback on the GREEN Standard in our community service pillar used to evaluate environmental components of all potential service projects, further fusing our comprehensive CSR agenda.

**R** For years, we've worked with a stakeholder group facilitated by Ceres<sup>2</sup> to review our yearly CSR performance. In 2008, this group gave feedback that included the use of our new web 2.0 platform and the challenges and opportunities of engaging a wider range of stakeholders. This is the same group that reviewed our 2007–08 CSR performance data and complementary "Dig Deeper" white papers. Some of the key feedback we heard and integrated into our report and white papers include clearly defining the boundaries for our carbon neutral goal, discussing the challenge of industry adoption for a consumer-facing eco-label, clarifying our position on living wage and considering how the economic downturn has effected employee engagement. We look forward to continuing our relationship with this group and are grateful for their input.

2. Ceres is a national network of investors, environmental organizations and other public interest groups working with companies and investors to address sustainability challenges such as global climate change. See [www.ceres.org](http://www.ceres.org).

# Governance & Accountability

## CSR Management and Integration


At Timberland, we believe that social and environmental responsibility is shared among all members of our organization—which is why we’ve integrated that awareness into all levels of the company, from top to bottom (and vice versa). As with other public corporations, the top-level decision makers at Timberland are the members of our Board of Directors, who guide our overall business strategy, the objectives that get us there and the creation of shareholder value. In December 2006, we created a formal CSR Committee within our Board of Directors. This group of four Board members is responsible for guiding all Corporate Social Responsibility strategy development, including our key CSR impact areas: Energy, Product, Workplace and Service. To accomplish this task, the Committee meets regularly with the CSR leadership team to help set the strategic agenda and hold the team accountable for their actions. 

### CSR COMMITTEE ENGAGEMENT

Since its establishment, the CSR Committee of Timberland’s Board of Directors has overseen our CSR strategy and execution. The Committee meets four times a year and provides feedback on strategy development, performance and key issues or programs.


The Committee’s official duties began in 2007, when the members met with our CSR leadership team to review and approve Timberland’s long-term CSR strategy. It is this strategy that sets objectives and targets for our four CSR pillars from 2008 through 2015.

In 2008, Timberland began to address challenges and opportunities with regard to each of these pillars. As a result, Committee discussions have focused on the following topics:


- Risk management in our Code of Conduct program
- The launch of our community greening campaign (which aims to merge our environmental and service agendas and is inclusive of diverse communities worldwide)
- Timberland’s environmental claims and credibility in the marketplace
- The business case for climate change advocacy
- Consumer relevance, as it relates to our efforts to inspire and engage on [Earthkeeper.com](http://Earthkeeper.com) 

The Committee also reviews performance and progress against our long-term strategy, including the information found in this report, resource allocation decisions, and challenges and opportunities for the improvement of our social and environmental agenda.

Although the Committee is relatively new, our programs and decisions have been greatly enriched by this Board-level presence. As we work to integrate CSR throughout our business, having our Board “on board” clearly demonstrates the importance our company places on reducing our environmental impacts and increasing our social engagement in global communities. Going forward, the Committee has challenged us to make our CSR programs more relevant to consumers and to leverage Timberland’s business influence to empower citizens to live more sustainably. As citizens and consumers begin to reward responsible companies, we believe that achieving these bold goals will guarantee returns in both commerce and justice.

To learn more about our corporate governance, including the charter for Timberland’s CSR committee, please go to the [Corporate Governance section at www.timberland.com](http://www.timberland.com) 

Reporting to the Board of Directors is our President & CEO, Jeffrey B. Swartz, who deeply believes in Timberland’s responsibility to generate revenue while still making positive changes in the communities and environment where employees live and work. This twin concept of commerce and justice has become a critical factor in all company decisions—no matter how large or small.

 With the highest levels of leadership committed, we also do everything we can to instill CSR integration throughout our business from the bottom up. We have formal programs that empower employees worldwide to engage in our comprehensive CSR agenda and Earthkeeping activities, regardless of individual job titles or responsibilities. For example,

Project Directors and Team Leaders help us implement service projects for Earth Day and Serv-a-palooza, our company-wide service days. And employees have incentives to reduce their own carbon footprints at work and at home by participating in Earthkeeper Rewards, an online tool launched in 2008 that tracks employees’ environmental behaviors to reduce their climate impacts.

In addition, we have a team of volunteers in nearly all of our offices around the world who serve as Timberland’s Global Stewards. These members of our extended CSR team act as CSR Ambassadors in their regions by driving employee engagement in service, adapting CSR communications for their local language and culture, and managing other CSR initiatives.

## TIMBERLAND CSR MANAGEMENT



## PUBLIC POLICY

The issues we embrace as an enterprise and as a community are complex and far reaching. And because we want to extend our influence as a responsible business, we look for opportunities to leverage our expertise by educating and empowering a wider society (that is, other brands, government organizations and private citizens). In this way, we hope to promote and steward the environmental and social health of our planet and its people and share our passion for Earthkeeping activities.

Our approach to building strong communities and a healthy planet through civic action is grounded in three basic criteria:

- *Timberland's corporate culture is built around our values of Humanity, Humility, Integrity and Excellence. In the CSR arena, as in every aspect of the company, all programs must reflect these values.*

- *We rely on a collaborative process built on a common vision and aligned values—within our organization and with partners in the industry—to create enduring change. This includes working together to raise awareness, model innovation and compel action.*
- *The results of our efforts across all four CSR pillars of Energy, Product, Workplace and Service must be measurable and transformative (and hopefully, visionary!)*

We are not political or partisan. We do not financially support candidates, political campaigns or Political Action Committees. We do, however, invite and encourage civic discourse and engagement by politicians, policy experts, industry partners, employees and consumers.

## CASE IN POINT: GLOBAL WARMING

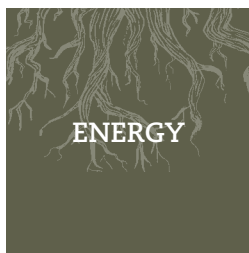
Global warming is one of the most critical issues facing our company and our society. As a responsible business, we believe it is crucial to leverage our influence by advocating publicly for the aggressive climate policy that can result in worldwide reductions in carbon emissions. We support the efforts of the International Panel on Climate Change<sup>3</sup>, the 2007 G-8 Summit, and the Climate Group<sup>4</sup> and former UK Prime Minister Tony Blair's efforts to create a post-2012 agreement for addressing greenhouse gas emissions globally. We have also testified in front of the U.S. Congress Committee on Energy and Climate requesting federal caps on greenhouse gas emissions and partnered with industry colleagues, including the Outdoor Industry Association (OIA), to share our priorities and our commitment. In 2008, we joined a new coalition of businesses called Business for Innovative Climate and Energy Policy (BICEP), which is coordinated by Ceres<sup>5</sup>. While these collaborative efforts are important, we also believe that the greatest power for change lies in the hands of informed citizens. Through our Earthkeeper.com platform, other opportunities such as our LEED-certified stores and a range of environmentally-conscious apparel and footwear, product packaging and messaging, and in-store information, we hope to raise awareness for consumers and encourage their action and activism. Our belief in the power of their voice, their actions and their leadership to drive and inspire change all over the world is at the core of everything we do.



3. <http://www.ipcc.ch>

4. The Climate Group is a nonprofit organization that supports business and government leaders in their mission to deliver a low-carbon economy. <http://www.theclimategroup.org/>

5. <http://www.ceres.org/bicep>



# WE'RE SHRINKING... IN A GOOD WAY.

Climate change. It's the most pressing environmental challenge of our time. And we want to be part of the solution. There are three ways we're going about it: by reducing our energy demand, by procuring renewable energy and by offsetting those emissions that we can't reduce. We've also set a short-term goal of becoming carbon neutral by 2010 for the facilities we own and operate and for employee air travel—about 4% of the carbon footprint associated with our finished product. What about the remaining 96%? Those emissions are associated with our value chain and are not covered by our carbon-neutral goal. But that doesn't mean we're ignoring them. On the contrary, we're measuring energy use in our factories and striving to partner within our supply chain. And we're reducing emissions in our products by using the Green Index® to evaluate raw materials with high emissions at the design stage. Reducing our own footprint is critical, but we can't do it alone. We are counting on our stakeholders to join us in dialogue and action.

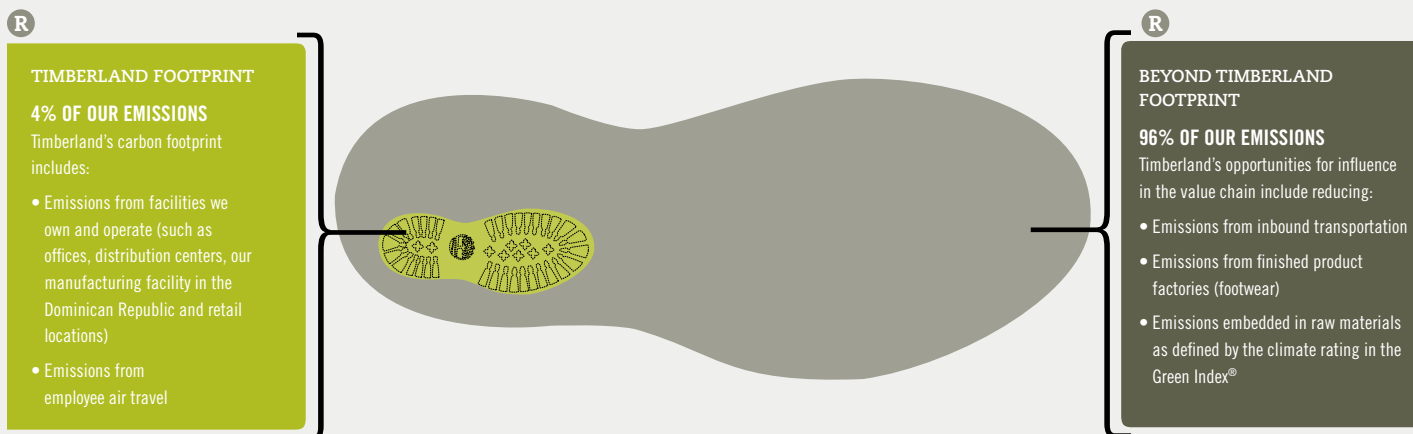
## Progress Report

| FOOTPRINT: ENERGY  |  |  |          |
|--|--|--|----------|
| ENERGY GOALS FOR 2007–2008   | METRIC   | RESULTS  | PROGRESS |
| Reduce our energy demand and greenhouse gas emissions  | GHG inventory  | We achieved a 27% decrease in our GHG emissions since 2006 due to efficiency improvements, employee engagement, renewable energy use and a decrease in the size of our business. We met and exceeded our 2008 target for reducing emissions.   | ↑        |
| Support the development of clean, renewable energy.  | Percent renewable energy procured  | Our carbon reduction strategy places the highest priority on reducing emissions outright to help reduce our total contribution to global warming. Because we've been able to achieve more reductions via energy efficiency, we've relied less on renewable procurement to drive down our total emissions. As a result, we did not meet our 2008 renewable energy use goal of 22%.        | ↓        |
| Carbon Neutral by 2010   | Carbon footprint of Timberland owned & operated facilities and employee travel | We're on track to meet our carbon neutral goal, which covers Timberland owned and operated facilities and employee air travel and assumes a 50% absolute emissions reduction target. However, this goal only reflects 4% of our total carbon footprint. To address the rest of our impact, we must create opportunities to reduce emissions from our supply chain and raw materials use. | ↔        |
| Establish a baseline understanding of emissions from transportation impacts & work with carriers to reduce that impact | Inbound emissions  | We worked with BSR's Clean Cargo Working Group and measured our transportation emissions against their standardized metrics to gain better understanding of our inbound footprint. However, we are still challenged to measure our outbound emissions, as no industry standards exist.   | ↔        |
| <b>KEY:</b> ↑ GOAL MET    ↔ PROGRESS    ↓ DID NOT MEET   |  |  |          |



# Energy Map of Impact

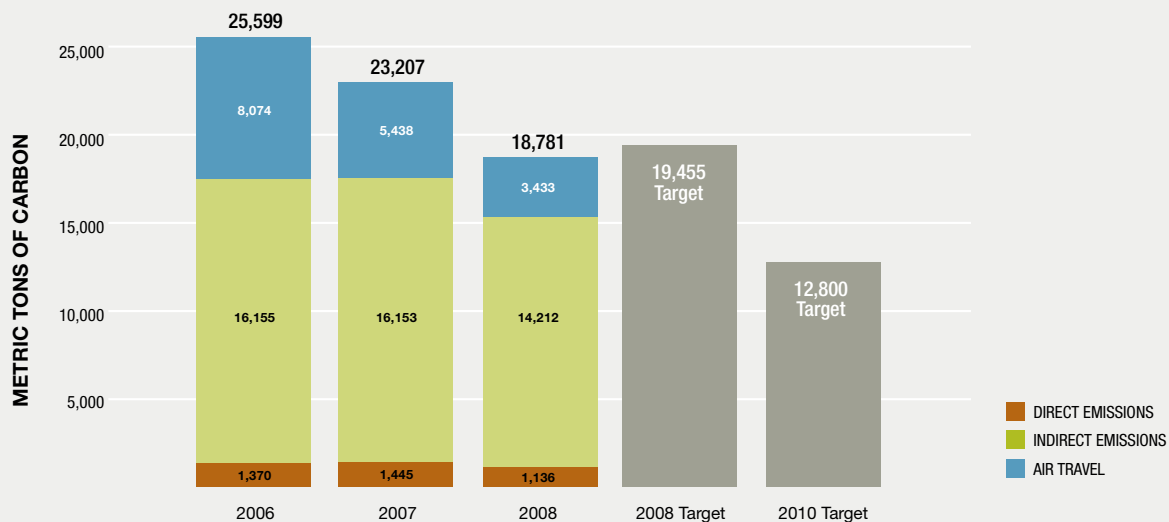
## { TIMBERLAND CARBON FOOTPRINT }



\* This graph represents an approximation of Timberland's influence in the value chain. It does not include outbound transportation (such as transporting products to our customers). We are working with other businesses and climate experts to develop accurate measurement protocols to account for these impacts in the future. This graph also does not include emissions from finished product apparel factories or licensees. Through our assessment process, we obtain data about these factories' emissions but are still in the process of evaluating the quality of this information. Going forward, we hope to include these emissions sources in our carbon footprint.

## { GREENHOUSE GAS EMISSIONS INVENTORY 2006-2008\* }

*Represents Timberland owned and operated facilities, as well as employee air travel*



\* As of December 2008, we revised historical data from 2006 (our current baseline) through year-end 2008 to account for updated emissions factors provided by the WRI/ WBCSD Greenhouse Gas (GHG) Protocol. Best practice in GHG accounting calls for inventories to use the most up-to-date emissions factors. In this process, we also discovered historical accounting errors in our 2006, 2007 and 2008 data, mostly due to better record-keeping

and improved understanding of energy consumption in some of our Asia offices. We are still verifying data corrections in 2008 energy reporting related to select retail stores. Should any further corrections be necessary, we expect emissions to decrease slightly and will update our 2008 annual data. In the meantime, please note that we have restated our 2006 baseline and 2007 and 2008 performance accordingly.

As a result of restating our 2006 baseline, we are also restating our long-term emissions reductions goals in order to maintain absolute emissions reductions targets of 24% in 2008 and 50% in 2010 (over the 2006 baseline). We are on track to have our GHG Inventory verified by a third party by 2010.

## A SILVER AND A GOLD FOR GREEN BUILDING STANDARDS

As part of our commitment to reduce our carbon footprint, Timberland looks to our owned and operated facilities (such as offices, distribution centers, our own factory in the Dominican Republic and Timberland-operated retail locations) as areas we can directly control. A significant part of our footprint is caused by the operation of our retail stores—the face of our business for many consumers. This is why we've made them prime targets in our quest to reduce our impact and better reflect our environmental values. <sup>6</sup>

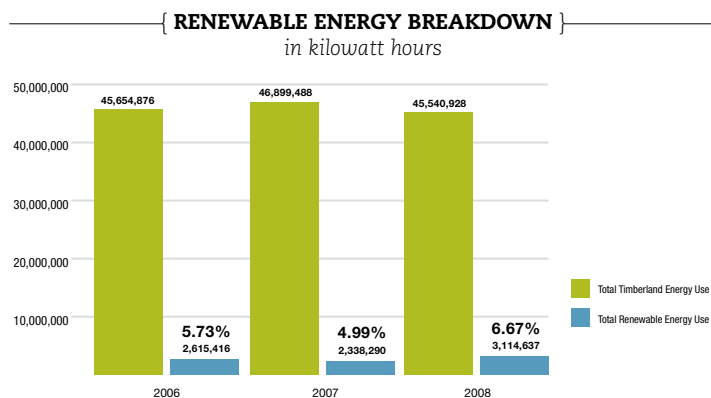
When the time came to open new Timberland® stores in Peabody, Massachusetts and Salem, New Hampshire, we looked to environmental best practice to design and build our stores. The Leadership in Energy and Environment Design (LEED) standards, developed by the U.S. Green Building Council (USGBC), offered the highest green-building and performance measures.<sup>6</sup>

The new Timberland® mall stores were constructed to meet LEED's standards for environmental responsibility, profitability and health. Materials used included 100% reclaimed lumber (such as barn flooring); 100% repurposed stockroom shelving; reclaimed, energy-efficient lighting fixtures; reduced water usage, and the installation of Energy Star-eligible appliances. The construction itself was conducted in a responsible manner too, with 90% of the waste recycled at one store and 50% of the waste recycled at the other. And finally, seeing one more opportunity to lower emissions, Timberland negotiated a deal with each mall to give preferential parking to any mall visitors driving fuel-efficient vehicles.

In 2008, USGBC awarded LEED Gold certification to our Peabody store and LEED Silver certification to the Salem store. Timberland was the first company to achieve LEED awards under its new certification, LEED Retail, which is designed for retail environments.

**D** This focus on LEED certification has proved highly successful. Not only are our carbon emissions down, but these stores' electric bills have also been reduced by about 30%. We've found that customers are intrigued by the look of the stores, with their open ceilings and seating constructed from recycled cardboard. They also appreciate the statement we're making about our commitment to reducing our impact on both built and natural environments.

And now that we've met the LEED criteria, we'll continue to build our stores to these standards. Two new stores are underway in the U.S., and we plan to take the lessons we've learned to Timberland® retail outlets overseas. Because after all, it's not just good for the environment. It's good for business.



## VOICES OF CHALLENGE

# What type of collaboration would best reduce our collective contribution to global warming?



**BILL McKIBBEN**  
Founder, 350.org

"We're not going to solve this one factory, one product, one lightbulb at a time. Only large-scale political action will do the trick, forcing our leaders into the kind of treaties that will reset the price of carbon and really drive change."



**MINDY LUBBER**  
President, Ceres

"While the individual action of a single company is important and necessary, the collective action of the business community is far more powerful and critical in catalyzing the immediate large-scale changes that are needed to tackle the climate crisis."



**JAMES BALOG**  
Director, Extreme Ice Survey

"Contradictory as it is for a manufacturer of consumer goods to question the consumerist paradigm, challenging Timberland to do so is my suggestion. True quality of life will come not from bloating our closets and landfills, but from reconnecting with nature and stuffing less stuff into our over-filled lives."

**READ EVERYTHING THEY HAVE TO SAY, AND LET YOUR VOICE BE HEARD AT [EARTHKEEPER.COM/VOICESOFCHALLENGE](http://EARTHKEEPER.COM/VOICESOFCHALLENGE)**

6. The U.S. Green Building Council (USGBC) is a nonprofit organization dedicated to sustainable building design and construction. Its LEED certification system offers independent, third-party verification for new building projects seeking green accreditation. [www.usgbc.org](http://www.usgbc.org)

## { TRANSPORTATION EMISSIONS\* }

CO<sub>2</sub> EMISSIONS (Metric Ton Equivalents)

| FULL YEAR                      | 2006          | 2007          | 2008          |
|--------------------------------|---------------|---------------|---------------|
| Water                          | 15,044        | 10,910        | 10,180        |
| Air                            | 14,540        | 10,149        | 5,397         |
| Road                           | 2,841         | 1,168         | 639           |
| Rail                           | 240           | 159           | 434           |
| <b>TOTAL INBOUND EMISSIONS</b> | <b>32,665</b> | <b>22,386</b> | <b>16,650</b> |

\*Transportation emissions have decreased during the reporting period due to less use of air freight and converting much of our road transportation to rail sources. All Transportation statistics represent inbound transportation only (from factories to our distribution centers) and are consistent with the standards established by the BSR Clean Cargo Working Group ([www.bsr.org](http://www.bsr.org)). Our 2006 data has been restated based on this standard. There is not yet an industry standard for outbound transportation measurement (such as transporting products to our customers), but we hope to disclose this information in the future.

## USING RENEWABLE ENERGY AND OFFSETS TO HELP ACHIEVE CARBON NEUTRALITY

Founded in 1994 by New England ski instructors, SmartWool is headquartered in Steamboat Springs, Colorado, with a design center in Boulder. When Timberland acquired SmartWool in 2005, we knew we liked their performance wool apparel. But it went deeper than that. We liked their values, too. A shared concern for climate change—and a strong determination to do something about it—was fundamental to our alliance. And like all Timberland divisions, SmartWool had a strong commitment to sourcing renewable energy. The question was how to go about it.

**G** Unlike our Distribution Center in Ontario, California, which has its own array that sources approximately 37% solar energy, or our Distribution Center in Enschede, Holland, which sources 100% wind energy, many facilities don't have access to renewable power. In these cases, the answer often lies in renewable energy credits or carbon offsets. That is, when a company buys "dirty" energy (energy that produces harmful emissions from fossil fuels), it can offset those harmful effects by funding the development of clean energy elsewhere.

A case in point is the Wray, Colorado school district, which wanted to construct a wind-energy system to power the district. With SmartWool, we partnered with NativeEnergy, an offset provider, to help finance the cost of the wind turbines. Due to our financial contribution, Smartwool purchased carbon offsets in 2007 equivalent to the greenhouse gas emissions produced by the gas, oil and electricity of its Boulder and Steamboat Colorado facilities and employee air travel. Not only did this help to further our mission to support the development of local, clean renewable energy, but it came with the fortunate side-effect of helping a local Colorado school district, too.

Because offsets are not our primary energy reduction strategy, SmartWool continued to consider renewable energy. In 2008, clean energy became available from SmartWool's utility provider. As a result, SmartWool switched from buying offsets offered by the Wray, Colorado school district to purchasing clean energy from the local electric grid.

**R** Clean energy may cost a little more, but it's an important step as we move toward our goal of becoming carbon neutral by 2010. It also encourages utilities to convert to renewable power and wean themselves away from "dirty" energy, which will likely cost more in the future.

As we move toward carbon neutrality, we're tracking our emissions zealously. We know offsets aren't the entire answer, and so we'll continue to invest in efficiencies and renewable energy when available and feasible. In this absence, offsets can be a creative bridge to a future where renewable energy will be more abundant.

## BEYOND TIMBERLAND'S CARBON FOOTPRINT

Timberland's carbon footprint (as defined by boundaries for our owned and operated facilities as well as employee air travel) represents approximately 4% of our total emissions. The rest of our footprint comes from emissions associated with contract manufacturing, product transportation and extracting and processing raw materials. We've worked with BSR's Clean Cargo Group in the past to tackle the challenge of reducing emissions associated with transportation, and we are working to reduce the impacts of emissions associated with raw materials by using the Green Index® to improve our design and sourcing.

**R** Measuring greenhouse gas emissions produced by contract factories that make our products is one way we can help to reduce our total carbon footprint. This also allows us to partner with and educate factories to reduce their own energy use. After all, we all have responsibility when it comes to reducing global warming.

**D** Timberland tracks supply-chain emissions as part of our factory assessments. Every quarter, our Code of Conduct assessors look at electricity use at each factory in our footwear supply chain. To date, there is no common standard for reporting supply-chain emissions. The factories that produce our products also do so for many other brands; as a result, the data collected includes emissions from the manufacture of both Timberland and non-Timberland products. We now report this information as part of our [quarterly CSR metrics, which are available online](#). And we've increased the specificity of our Code of Conduct questionnaires so we can track emissions specific to Timberland production beginning in late 2009.


In the future, we plan to expand our emissions accounting to apparel and accessories. And we'll continue to stay abreast of supply-chain emissions reporting standards so we can compare our data with other companies when standards are developed.

## DIG DEEPER







Download our white paper *Timberland's Climate Strategy* for comprehensive details on how we're addressing our carbon footprint and beyond, and what you can do to reduce your footprint at [earthkeeper.com/csr](http://earthkeeper.com/csr)



# “MADE TO LAST” GETS A WHOLE NEW MEANING.

Business as usual just doesn't cut it any more. At Timberland, we're committed to continually seeking new ways to manufacture our products more responsibly. And we believe that consumers should ask questions and hold companies accountable. That's why, in 2007, we introduced the Green Index®—a measure of the environmental impact of our products. The Green Index® is our next step toward measuring progress towards designing cradle-to-cradle product—that is, products that have an afterlife rather than ending up in a landfill. Made from reduced-impact materials, Earthkeepers™ footwear and apparel best represent this commitment to environmental responsibility. At year end 2008, Earthkeepers™ footwear accounted for 1.56% of our total footwear offerings. Going forward, we will be adding the Green Index® to more and more of our footwear line, aiming to have 100% of our line scored by 2011. 

## Progress Report

| FOOTPRINT: PRODUCT  |  |  |   |
|---|--|--|---|
| PRODUCT GOALS FOR 2007–2008   | METRIC   | RESULTS  | PROGRESS  |
| Implement the Green Index® rating across our product line and our industry  | Average Green Index® rating score  | The Green Index® rating is a tool to measure and improve the environmental performance of our products. As of year-end 2008, we scored 1% of our total footwear line. Scored shoes show an overall 8% improvement in environmental performance. We have worked with the Outdoor Industry Association to convene more than 40 brands to establish cross-industry environmental metrics for outdoor products.  |  |
| Eliminate the use of chemicals linked to human or environmental harm  | Chemical use   | While we failed to eliminate PVC in our footwear, we have set requirements that no licensed accessories are made with PVC as of year end 2008. In 2008, we also moved from measuring pairs of footwear using Water-based adhesives in stockfitting and assembly to measuring grams per pair of volatile organic compounds which is a more holistic measure of hazardous chemical content in footwear production.   |  |
| Increase sourcing of environmentally-conscious materials  | Environmental performance in our supply chain; use of organic cotton, recycled content, recyclable materials | We worked with tanneries and other brands to improve environmental performance in the leather supply chain through the Leather Working Group. Initial results show 15–20% improvement in energy and water use. We now require all tanneries we source from to be audited against new industry standards. We continued to prioritize use of organic cotton in our apparel line, far surpassing our 2007 and 2008 targets, thanks to our design team's prioritization of this renewable material. Our use of recycled content in our footwear is improving with Timberland's use of outsoles made from Green Rubber™—a material made from 42% recycled rubber. |  |
| <b>KEY:</b>  <b>GOAL MET</b>  <b>PROGRESS</b>  <b>DID NOT MEET</b> |  |  |   |



## Product Map of Impact

{ EXAMPLE: MEN'S EARTHKEEPER™ 6 INCH BOOT }

### RECYCLED PET MATERIALS

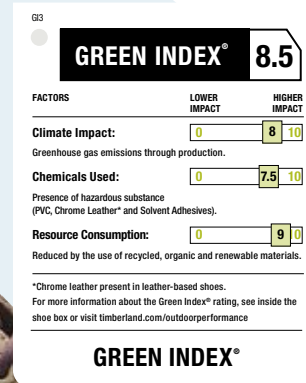
Used for more than 10 years in fleece, recycled PET is a new fiber for footwear. This fiber comes from post-consumer plastic bottles and is incorporated into linings and laces. The Earthkeepers™ boot featured here has a lining made from 70% recycled materials.

### REDUCED USE OF HARMFUL CHEMICALS

Earthkeepers™ boots contain no PVC. We also employ water-based adhesives and hand stitching to replace traditional solvent adhesives that release volatile organic compounds.

## GREEN INDEX® RATING OF 8.5

Like all products scored with the Green Index® rating, this Earthkeepers™ boot features a rating for the climate, chemical and resource impact created from raw material extraction through finished product production. The lower the score, the lower the environmental impact.



### LEATHER

Our Earthkeepers™ boots feature premium waterproof leathers that come from tanneries that received silver ratings in the Leather Working Group environmental audit as a result of reduced energy use, reduced waste, and quality water treatment.

### RECYCLED RUBBER OUTSOLE

By using recycled components, we reduce our use of raw materials and help keep discarded materials out of landfills. This Earthkeepers™ boot features an incredibly durable, rubber lug outsole made with 30% recycled rubber.

### ORGANIC MATERIALS

Using organic cotton in our products helps reduce our dependence on conventional cotton, which is grown with chemical pesticides and fertilizers—putting farm workers, land and water supplies at risk. Organic cotton is grown without harmful chemicals, meaning healthier working conditions and a healthier planet.

### RECYCLED PACKAGING MATERIAL

Our footwear boxes use minimal soy-based inks and are made from 100% post-consumer recycled cardboard. In 2007 and 2008, we used 100% post-consumer recycled packaging cardboard in our shoe boxes.

FOCUS ON LEATHER: SHRINKING THE ENVIRONMENTAL FOOTPRINT OF OUR FOOTWEAR

At Timberland, we know that the durability of our footwear depends on the quality of the leather we source. Unfortunately, leather also contributes more to our environmental footprint than any other material we use. The breeding of cattle and other livestock accounts for 18% of the global greenhouse gases that contribute to climate change<sup>7</sup>. But because cattle are primarily raised for meat, Timberland alone can't counteract all of the environmental impacts associated with cattle raising.

**R** We are accountable for the portion of the cattle we use (a cow's hide is approximately 5% of the cow's overall worth<sup>8</sup>). And we can work with our tanneries to improve their environmental performance. Since technology is not available to produce leather in a way that can be considered "earth-friendly," Timberland instead has looked for ways to encourage sound management and year-over-year improvement at the tannery level.

In the past, tanneries were beset with differing auditing standards from their various customers, resulting in confusion and audit fatigue. Brand collaboration was what was needed. That's why, in 2005, Timberland banded together with Nike and UK-based BLC Leather Technology Centre to convene a cross-brand organization called the Leather Working Group (LWG). Working together toward the common goal of better environmental performance of tanneries, the group now also includes top brands such as Clarks, Marks and Spencer, New Balance, Adidas, Ikea and The Pentland Group.

**R** Together, LWG members, tanneries and leather experts have collaborated to create a common tannery assessment for environmental performance, setting bronze, silver and gold as levels for success. Working on behalf of the LWG, BLC independently audits each tannery. LWG benchmarks the results and develops education and resources aimed to help tanneries address key areas of concern. Tanneries benefit from these multi-brand audits because now some of their largest customers are using a common set of metrics to evaluate their environmental performance.

Another benefit has also grown out of this multi-brand effort: healthy competition among the tanneries themselves. These tanneries know that it is in their own interests to score high on the assessment, in order to give themselves a point of differentiation in a competitive marketplace. And we're seeing results: initial assessments show tanneries who have received a second audit have shown a 15-20% improvement in energy and water use from better measurement alone.

REDUCING HAZARDOUS CHEMICALS IN OUR FOOTWEAR

Timberland is committed to using adhesives in our stockfit and assembly shoe manufacturing process that produce the least harm to the environment. Solvent-based adhesives (SBAs) are traditionally used in footwear manufacturing for gluing shoe parts together. Unfortunately, SBAs release volatile organic compounds (VOCs) that can create human and environmental health hazards. Water-based adhesives (WBAs) have been identified as an alternative to SBAs in the shoe manufacturing process.

In the past, we reported the number of pairs of footwear we produce that utilize WBAs. In 2008, we decided to move away from reporting our use of WBAs because this metric did not present a holistic measure of hazardous chemical content in our footwear production. In the past year, our chemical engineers began instead to collect data related to the global average grams of VOCs per pair used in Timberland footwear production.

**D** We are now disclosing this information as part of our 2009 quarterly CSR reporting. Reporting chemical consumption in this manner allows us to target specific, high VOC-content materials for reduction, substitution or elimination, thereby promoting lower environmental impacts and improved working conditions in factories. It also conforms to standard metrics in our industry, which will allow stakeholders to compare our chemical use to that of other companies in the future.

PRODUCT

Many of our products are designed using earth-conscious materials. The categories in this chart inform the earth-conscious icons on our products—showing our commitment to the environment in the materials and processes we choose. This chart shows the percentage of Timberland® footwear products that use the following materials in 2008.

**D** { MATERIALS IN TIMBERLAND® FOOTWEAR PRODUCTS (BY VOLUME)<sup>9</sup> }

| Category                           | 2008   |
|------------------------------------|--------|
| Renewable Materials                | 0.31%  |
| Organic Materials                  | 1.88%  |
| Recycled PET                       | 14.81% |
| Recycled Rubber Outsole            | 11.22% |
| PVC Free                           | 82.62% |
| LWG Silver-Rated Tannery by Volume | 2.11%  |

7. Livestock's Long Shadow, Food and Agriculture Organization of the United Nations, 2006. <http://www.fao.org/ag/magazine/0612sp1.htm>  
8. 2007-2008 Hide prices, published in the British Leather Center Journal, Spring 2009. [www.blcleathertech.com](http://www.blcleathertech.com). See also 2008 Animal prices from the Chicago Mercantile Exchange live cattle contract market data: [www.cmegroup.com/trading/commodities](http://www.cmegroup.com/trading/commodities)  
9. There were a total of 3,879 SKUs and approximately 21 million pairs produced in 2008.

## VOICES OF CHALLENGE

# What information is most relevant for companies to provide to consumers so they consider the environment in purchasing decisions?



### JOEL MAKOWER

*Executive Editor, GreenBiz.com*

"There's a temptation to suggest consumers want full disclosure of environmental impacts. Few are capable of making sense of that data. A company that can demonstrate it fully understands negative impacts, has a plan to reduce those impacts and is disclosing information authentically should be taken seriously."



### DOMINIQUE CONSEIL

*President, Aveda*

"Information on product design shows how companies integrate the natural and human environment in their development, ingredient and component sourcing, manufacturing, distribution, use and recycling. A biodegradable product is not ecologically intelligent if the production of its ingredients negatively affects the ecosystem, individuals or human communities."



### DAVID LABISTOUR

*CEO, Mountain Equipment Co-op*

"In the absence of a universal, consistent labeling protocol, it becomes imperative that a company articulate its brand philosophy, including social and environmental values, and how this translates into strategy and transparent reporting of all components of the supply chain."

## THE CHALLENGE OF BECOMING PVC-FREE

Several years ago, we discussed our commitment to phasing PVC (polyvinyl chloride) out of our products by 2008. Used in everything from drainage pipe to shopping bags, this plastic has long been linked to human health and environmental concerns. It is also found in the midsoles of our boots.

**G** We've had every intention of honoring that commitment. We even enlisted the University of Massachusetts at Lowell green chemistry program to develop solutions to complete our phase-out of PVC across the Timberland® footwear line. But we have not yet achieved our target.

Today, 82% of our footwear is PVC-free, and we're working to develop new products that will not contain PVC. We have also required that none of our suppliers and licensees is using PVC as of year-end 2008.

**R** We continue to seek substitutes that meet the molding and physical requirements for all of our footwear products, including carry-over classic boot models. But the fact is that PVC continues to provide the best performance at the lowest cost. And because our responsibility to our stakeholders is financial as well as ideological, we made the tough business decision to continue using PVC until a more viable substitute can be found.


Says Chief Administrative Officer Carden Welsh, "After years of research to find alternatives to PVC, we still haven't found a winning option that meets our criteria on cost and environmental impact. However, we continue to report the percentage of our footwear line that consumes PVC on our Nutrition Label, and we want that percentage to improve every year. We must find a solution that creates a clear win for all stakeholders."

## DIG DEEPER

Visit [earthkeeper.com/csr](http://earthkeeper.com/csr) to download our white paper  
**Grading Our Products: Timberland's Green Index® Rating Program**  
for complete information on how our Green Index® can help us  
reduce the environmental harms of our products while helping  
to inform consumers' purchasing decisions.



# BETTER WORK LIFE. BETTER LIFE.

Like every company, we're responsible for the way we do business. And we are committed to ensuring that the workers who produce our products are provided with fair, safe, and non-discriminatory workplaces. As of the end of 2008, Timberland® products were produced in roughly 300 factories in 36 countries across the globe, by approximately 247,000 workers. To help ensure fairness, we've standardized our workplace requirements through our Code of Conduct<sup>10</sup>. And whether our products are made in our own factory in the Dominican Republic or by third-party contract manufacturers, we only place orders with suppliers that adhere to it. When there are violations, we work with factory managers and workers to get at the root of the issue, to provide a lasting solution. We also disclose our factory list online at [www.earthkeeper.com/csr](http://www.earthkeeper.com/csr) 

## Progress Report

### FOOTPRINT: WORKPLACE

| WORKPLACE GOALS FOR 2007-2008   | METRIC   | RESULTS  | PROGRESS |
|---|--|--|----------|
| Minimize the volume of footwear production placed in factories that receive high risk ratings by increasing remediation to immediately address high hazard issues and/or decreasing production volumes until resolved | Percentage of footwear production in "High Risk" factories   | Factories receive high risk ratings if they have situations of high hazard, high probability and potential for high impact such as regularly working employees over 72 hours/week, 12 hours/day or 7 days consecutively; employing debt-bonded labor or child labor; disregard for legally mandated wages or benefits; or lack of effective machine guarding or emergency stops on potentially dangerous equipment. We significantly reduced the percentage of footwear production placed with high risk factories from 34% in 2007 to 1% at year end 2008.  | ↑        |
| Reduce the number of factories that have Immediate Action violations and/or high risk environment, health & safety issues   | Percentage of "High Priority" factories                      | As a result of increased remediation assistance at High Priority factories, our 2007–2008 results remained consistent at 38% of factories receiving High Priority scores. While we achieved our 2007 target, we were slightly above our 2008 target. We face continued challenges to reduce the percentage of High Priority factories as we add new suppliers (particularly in licensing and apparel) that have never undergone our assessment process.  | ↔        |
| Improved conditions in our supply chain, achieved by working with suppliers on remediation efforts  | Average Assessment Score                                     | Our average overall score for all factories remained stable from 2007 to 2008 at 62. With an increased number of low-score suppliers being introduced into the supply chain, the 2008 year-end average fell below our target. We are working with our internal business units and licensees to improve their selection of new suppliers to encourage a streamlined supply chain and establish incentives for limiting supply chain changes.  | ↓        |
|   | Percentage of Continued Factory Partners with Improved Score | We believe that developing long-term relationships within our supply chain creates opportunity for sustainable and sustained improvements. 69% of our Continued Business partners had improved scores at the end of 2008, which exceeded our 2008 target.  | ↑        |
| Achieve 30% improvement in Environmental Assessments to help factories reduce their environmental footprint   | Environmental Assessment scores                              | Our assessors are expected to help improve assessment scores in at least 30% of continued factories. In 2007 and 2008, 30% and 57% of factories showed improvement in their environmental scores, respectively.<br><br>We improved training and tracking of environmental performance during this time, resulting in improved scores of tanneries and non-tanneries. However, while tannery scores surpassed our 2008 target, non-tannery environmental assessment scores fell slightly below our target. To reach our 2010 goal, assessors will prioritize training and development of environmental management systems in their work with factories. | ↔        |
| Achieve 30% reduced Working Hours violations  | Most frequent Immediate Action in our supply chain           | Our assessors are expected to help factories reduce the severity of working hours issues in at least 30% of continued business factories. In 2007, 57% of continued business partners with Working Hours violations showed improvement; in 2008, 61% showed improvement. Performance in both years shows that we exceeded our goal.  | ↑        |
| Empower workers with skills, knowledge and capability to self-monitor workplace conditions  | Put workers at the center of our assessment process          | Building from a pilot project with Verite <sup>11</sup> , we now assist factory workers in creating their own Code of Conduct Committees. In 2007, we reframed our goal of working with factories at the Partner level to using this approach in all factories to empower more workers. In 2008, all Timberland assessors met their performance objectives of increasing worker engagement in at least 50% of their factories.   | ↑        |
| Engage factory partners in a dialogue about their investment in and support of their communities  | Number of factories we engage in community service           | In 2007, we offered additional resources to assist factories to engage in community service. Our assessors are expected to manage/assist at least one community service event with at least one factory in their region by end of 2009 and are on track.   | ↔        |
| Reduce audit fatigue by partnering with other brands in shared factories  | Number of factories at which we have brand collaboration     | While our commitment to joint assessments remains strong, not all brands share the same standards as Timberland's Code of Conduct. We will not reduce our rigor for the sake of joint auditing. In 2007–2008, we conducted 10 joint audits at 10 factories, and otherwise engaged in collaborative approaches such as joint remediation efforts and/or sharing of audit data with 9 brands involving 25 factories.   | ↑        |

KEY: ↑ GOAL MET ↔ PROGRESS ↓ DID NOT MEET

10. Our Code is posted in all factories and available online at <http://www.timberland.com/corp/index.jsp?page=codeOfConduct>

11. Verite is an independent nonprofit organization monitoring international labor rights. [www.verite.org](http://www.verite.org)



# Is focusing on improving available services for factory workers the best way to improve their quality of life and opportunities for betterment?



## CSR WORKER COMMITTEE

*Pou Yuen Industrial Ltd.,  
footwear factory in China*

"Now that price levels are rising and society is making progress, there is adequate access to personalized services. Migrant workers leave their hometowns for work, sometimes moving from one factory to another for just 30RMB. Higher wages are the priority for our workers."

\* translated from Mandarin

现在, 随着社会的进步, 工厂周边通常有足够的生  
活设施供员工使用, 同时, 物价水平也在不断上升。  
外来工离开家乡来到工厂打工, 有时候, 他们会为  
了每月多三十元人民币而更换工作的工厂。所以,  
获取更高的工资是我们员工的首选。



## ROSALINA FERRARI

*sewing machine operator  
Statement from group discussion at  
Traiano Multi Griffes LTDA,  
apparel factory in Brazil*

"After listening to what my colleagues had to say about choosing better services over better wages, I agree that having access to education, medical assistance, dental care, housing, child care and recreational areas/activities would bring a greater positive impact within a community."

\*translated from Portuguese

"Depois de ouvir o que os meus colegas disseram sobre a escolha de melhores benefícios/serviços em vez de melhores salários, eu concordo que ter acesso a educação, assistência médica e dental, moradia, creches e atividades/áreas de lazer poderiam trazer um maior impacto positivo dentro de uma comunidade."



## LI QIANG

*Founder and Executive Director,  
China Labor Watch*

"A socially responsible corporation provides many services: creating job opportunities, providing good benefits and training opportunities for employees, producing safe products and protecting the environment. Corporations must navigate corrupt auditors and auditors who lack technical skills, as it is not uncommon for falsified information to obstruct proper implementation of social responsibility standards."



## SCOTT NOVA

*Executive Director, Workers Rights  
Consortium*

"No. Labor rights violations remain commonplace in brand supply chains, sub-poverty wages are the norm, and unions are almost nonexistent. Until brands have ensured that their factories have stopped violating their employees' basic rights, and started paying them decently, they should not be focusing on voluntary social initiatives."

## Workplace Map of Impact

The data on this map is reflective of all factories that produced Timberland® products in calendar years 2007 and 2008, not just assessments that were completed within this period.<sup>12</sup> We've also included notes about factories that missed assessments and the reasons why. Factories receive one of three designations in our assessment process: Partner, Acceptable or High Priority. You can learn more about our factory assessment process in our 2006 CSR report, available at [www.timberland.com](http://www.timberland.com)<sup>13</sup>

| MEXICO, C. AMERICA, CARIBBEAN   | 2007 | 2008 |
|---|------|------|
| Number of Factories   | 13   | 13   |
| Percentage covered*   | 92%  | 100% |
| Percentage with Partner designation   | 0%   | 8%   |
| Percentage with Acceptable designation  | 38%  | 46%  |
| Percentage with High Priority designation   | 62%  | 46%  |
| Percentage factories that are unionized   | 8%   | 0%   |
| *In 2007, the Setisa factory assessment was delayed due to transition of new licensee compliance program. |      |      |

| US & CANADA   | 2007 | 2008 |
|---|------|------|
| Number of Factories   | 17   | 18   |
| Percentage covered*   | 100% | 94%  |
| Percentage with Partner designation   | 53%  | 44%  |
| Percentage with Acceptable designation  | 47%  | 56%  |
| Percentage with High Priority designation   | 0%   | 0%   |
| Percentage factories that are unionized   | 6%   | 11%  |
| *In 2008, the Coats America factory had a postponed factory assessment due to scheduling conflicts. We will reschedule this assessment in 2009. |      |      |

| NORTH AFRICA & MIDDLE EAST                                      | 2007 | 2008 |
|---|------|------|
| Number of Factories   | 24   | 22   |
| Percentage covered*   | 100% | 100% |
| Percentage with Partner designation                             | 13%  | 0%   |
| Percentage with Acceptable designation                          | 58%  | 73%  |
| Percentage with High Priority designation                       | 29%  | 27%  |
| Percentage factories that are unionized                         | 4%   | 5%   |
| *No factories missed an assessment in this region in 2007-2008. |      |      |

| SOUTH AMERICA   | 2007 | 2008 |
|---|------|------|
| Number of Factories   | 29   | 32   |
| Percentage covered*   | 100% | 100% |
| Percentage with Partner designation                             | 10%  | 28%  |
| Percentage with Acceptable designation                          | 59%  | 47%  |
| Percentage with High Priority designation                       | 31%  | 25%  |
| Percentage factories that are unionized                         | 79%  | 84%  |
| *No factories missed an assessment in this region in 2007-2008. |      |      |

12. In our quarterly reporting, you'll find data sets that represent "current profile" or results from active factories as of end of that reporting period based on last assessment. The figures you see here are year-end totals.

13. Partner factories have no immediate actions and have infrastructure for continuous and sustainable workplace improvements; Acceptable factories have no high risk findings, but improvements are needed; High Priority factories have high risk violations and receive increased remediation from Timberland assessors as a result.

## PARTNERS OF EXCELLENCE

With each assessment, suppliers are rated on eight criteria<sup>14</sup> to establish an overall score reflecting not only the results of the assessment, but also the supplier's progress, capacity and willingness to provide superior workplace conditions via Code of Conduct management systems. Suppliers that score well in all categories are designated as Partners. Partners of Excellence are suppliers that score Partner level for two consecutive years. Achieving Partner level requires more than compliance; it requires management systems, worker involvement, stakeholder engagement and continuous improvement. Maintaining Partner status is evidence of a supplier's dedicated commitment and sustained success in providing superior workplace conditions. We feel confident that factories who are Partners of Excellence

have effective management systems and a strong commitment to actively addressing social and environmental concerns. As such, these factories receive Code of Conduct assessments every other year. As an ongoing assurance, Partners of Excellence agree to allow Timberland assessors to visit between assessments (announced or unannounced) and/or provide updated information as requested. They are also required to notify Timberland of any new subcontractors, prominently display Timberland's Code of Conduct poster and ensure that workers remain informed of how to contact their Timberland assessor with questions, issues or concerns. In 2007 and 2008, we had 17 and 18 factories (respectively) qualify for Partner of Excellence status.

| EUROPE  | 2007 | 2008 |
|---|------|------|
| Number of Factories   | 39   | 49   |
| Percentage covered*   | 98%  | 100% |
| Percentage with Partner designation                             | 28%  | 27%  |
| Percentage with Acceptable designation                          | 42%  | 59%  |
| Percentage with High Priority designation                       | 30%  | 14%  |
| Percentage factories that are unionized                         | 5%   | 6%   |
| *No factories missed an assessment in this region in 2007-2008. |      |      |

| GREATER CHINA  | 2007 | 2008 |
|--|------|------|
| Number of Factories  | 132  | 169  |
| Percentage covered*  | 98%  | 99%  |
| Percentage with Partner designation  | 6%   | 6%   |
| Percentage with Acceptable designation   | 37%  | 44%  |
| Percentage with High Priority designation  | 57%  | 50%  |
| Percentage factories that are unionized  | 18%  | 26%  |
| *In 2007 and 2008, the Tong Hong Tannery assessment was postponed due to construction relocation. In 2007, the Dongguan Quality factory assessment was delayed due to transition of new licensee compliance program. |      |      |

| INDIAN SUBCONTINENT  | 2007 | 2008 |
|--|------|------|
| Number of Factories  | 37   | 42   |
| Percentage covered*  | 100% | 95%  |
| Percentage with Partner designation  | 0%   | 9%   |
| Percentage with Acceptable designation   | 68%  | 60%  |
| Percentage with High Priority designation  | 32%  | 31%  |
| Percentage factories that are unionized  | 3%   | 12%  |
| *In 2008, two Celebrity Fashions factories' assessments were delayed due to assessor vacancy and scheduling conflicts prior to orders ending in October. |      |      |

| SUB-SAHARAN AFRICA                        | 2007 | 2008 |
|---|------|------|
| Number of Factories                       | 1    | 1    |
| Percentage covered*                       | 100% | 100% |
| Percentage with Partner designation       | 0%   | 0%   |
| Percentage with Acceptable designation    | 0%   | 0%   |
| Percentage with High Priority designation | 100% | 100% |
| Percentage factories that are unionized   | 100% | 100% |

| EAST ASIA  | 2007 | 2008 |
|--|------|------|
| Number of Factories  | 31   | 31   |
| Percentage covered*  | 97%  | 97%  |
| Percentage with Partner designation  | 16%  | 10%  |
| Percentage with Acceptable designation   | 52%  | 55%  |
| Percentage with High Priority designation  | 32%  | 35%  |
| Percentage factories that are unionized  | 6%   | 6%   |
| *In 2007, the assessment for Eastwell Computer, a Partner rated factory, was delayed due to transition of new licensee compliance program. In 2008, the assessment for Smart Shirts Hong Kong factory was delayed due to scheduling conflicts; before we could reschedule, we ceased sourcing from this factory. |      |      |

| SOUTHEAST ASIA  | 2007 | 2008 |
|---|------|------|
| Number of Factories   | 55   | 81   |
| Percentage covered*   | 98%  | 93%  |
| Percentage with Partner designation   | 9%   | 6%   |
| Percentage with Acceptable designation  | 51%  | 41%  |
| Percentage with High Priority designation   | 40%  | 53%  |
| Percentage factories that are unionized   | 16%  | 21%  |
| *In 2007, we missed one assessment at Rangsit, which was rated a High Priority factory, but we ceased orders prior to an assessment being scheduled. In 2008, we missed 5 factory assessments in Vietnam due to assessor vacancy; these factories were assessed upon hiring in early 2009. The Sharaj Bangladesh factory, an Acceptable rated factory, also missed an assessment in 2008 due to scheduling conflicts; we ceased orders before the assessment was rescheduled. |      |      |


14. For more information on our assessment process, please see [www.timberland.com](http://www.timberland.com)

\* This data is reflective of all factories that keep Timberland® products, not just those assessments that were completed that year. Examples include Partners of Excellence and factories that were dropped prior to their annual assessment date.

# The Role of Our Assessors

All Timberland suppliers are required to adhere to our **Code of Conduct** and are assessed to determine how well they are complying. In 2006, we transitioned from an auditing system to an assessment system, under which our assessors do not police factories but rather work as consultants to help identify issues and develop solutions.

## BEYOND MONITORING: RESULTS FROM OUR ASSESSMENT PROCESS

What sets Timberland apart from other brands are our partnerships with factories to improve conditions for workers. A case in point is the Tong Hong tannery in Vietnam. Timberland began sourcing from this factory in 2008, and in their initial assessment it was revealed that workers were expected to work on Sundays, giving them no scheduled day off. This is a direct violation of Timberland's Code of Conduct and required immediate attention. But rather than pulling out of the factory, we saw the opportunity to help eliminate such practices. We knew that if we were successful, both the factory and its workers would be better off. 

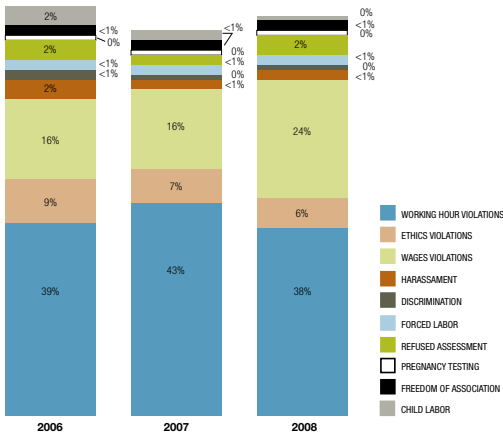
To resolve the situation, the factory made an investment in more equipment for the production lines and recruited additional workers to meet production demands. The factory's employee count rose from 800 in 2007 to 1,100 in 2008, and monthly capacity was raised from 4,000 square feet of leather to 5,500 square feet.

Next, a three-shift schedule was implemented to enable the factory to operate 24 hours a day for six days, giving the workers Sundays off. Plus, to ensure sound nutrition and health, workers were supplied with three free meals a day.

To ensure these benefits were sustained, Timberland's Vietnam assessor helped the factory create a five-person corporate responsibility team charged with overseeing human rights, safety, health and the environment.

The end result? When the Timberland assessor visited Tong Hong in early 2009, the issue of working seven consecutive days had been resolved, and the factory benefited from better performance and increased capacity.

### IMMEDIATE ACTIONS IN OUR SUPPLY CHAIN<sup>15</sup>



### IMMEDIATE ACTION DEFINITIONS

| IMMEDIATE ACTION                     | DESCRIPTION  |
|--------------------------------------|--|
| Working Hours                        | Total hours exceed 60 hours per week, 12 hours per day or more than 6 days consecutively                           |
| Ethics                               | Falsification of documents, willful violation of law, unethical business or financial practices                    |
| Minimum Wage                         | Legal minimum wage not being paid  |
| Harassment                           | Verbal, physical or psychological  |
| Discrimination                       | Based on race, religion, gender, color, age or other personal characteristics                                      |
| Forced Labor                         | Prison or debt-bonded labor  |
| Refuse Assessment                    | Factories refuse an assessment   |
| Pregnancy Testing                    | Performed and/or results used in workplace for employment applications, promotions or other work-related decisions |
| Freedom of Association <sup>16</sup> | Deny the right to freely associate and bargain collectively  |
| Child Labor                          | Under the minimum country age or 16, whichever is higher   |

15. We have restated our 2006 Immediate Action (IA) data because our previous calculation showed the percentage of IAs that took place as compared to the total number of IAs that occurred. The data stated here reflect the percentage of factories that have a particular IA in our entire supply chain. This update is a more holistic measure of Immediate Actions occurring in our total supply chain.

16. Workers must be given the right to decide how their best interests will be represented in the workplace, including the right to associate freely and bargain collectively. Where this right is restricted under law, there must be an equivalent means of independent representation for all workers including worker-elected representation, effective grievance handling processes and actions in support of established collective bargaining agreement (if collective bargaining is so desired by the workers). In our assessment process, we review the effectiveness of unions in factories that produce our products to ensure workers are effectively being represented, that effective two-way dialogue and grievance handling exists, and employers are adhering to collective bargaining agreements. Workers have the right to choose not to unionize; lack of a union would not be an assessment finding so long as the workers are aware of their rights/options and yet they chose freely to do otherwise.



## REMEDICATION EFFORTS FOCUSED ON ENVIRONMENTAL IMPACT

Since 2005, Timberland's Code of Conduct team has incorporated the environmental attributes of factories into our assessment process, with suppliers rated on seven criteria reflecting their commitment to minimize their environmental footprint: systems, compliance, water, use of water-based adhesives, chemicals, energy and waste. For each criterion, a factory is given a score of one to five, with one representing no accountability or tracking and five representing factories that have exceeded stated targets. Our 2008 target was to have compliant factories with systems in place to monitor, control and track their environmental footprint.

The goal of our assessors in the environmental arena was for at least 30% of our factories to show year-to-year improvements—and they met that mark successfully. Fifty-seven percent of factories showed improvement from 2007 to 2008 as a result of the assessors' increased efforts to educate and encourage factories to implement environmental management systems and best practices. **D**

An example of these environmental remediation efforts occurred at India Shoes Pvt. Ltd (India Shoe), a factory in India that Timberland has sourced from since 2006. When India Shoe first began producing footwear for Timberland, there was little awareness at the factory of environmental risks/exposures and no efforts to manage these exposures. During 2007-2008, Timberland's India assessor worked closely with India Shoe's management team to provide education about environmental issues and the factory's ability to make a difference to their bottom line, their community and the planet.

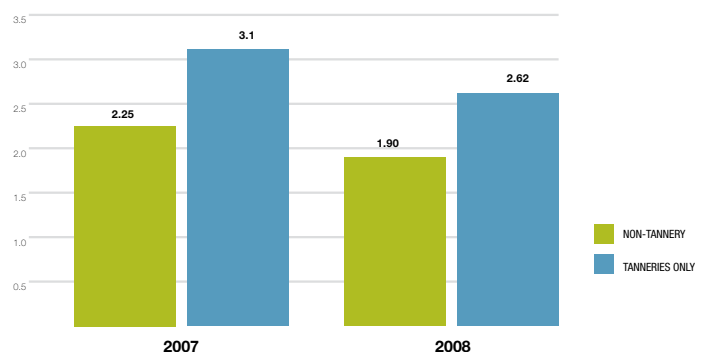
Following training and with assistance from Timberland assessors, the factory conducted a detailed aspect analysis of their operations and implemented proactive measures to reduce their environmental footprint and manage what could not be eliminated. To overcome cultural and systemic obstacles, the factory issued an environmental policy statement from management, implemented standard operating procedures and provided environmental training for all employees. **R**

As a result of monitoring and controlling the factory's resource consumption, India Shoe has realized a 12% reduction in water consumption and 14% in electricity consumption, resulting in a \$944,894 INR (\$20,098 USD) savings annually. Having seen the impacts of an environmental program within their facility, India Shoe felt compelled to go further and initiated a public-private-partnership program with local government agencies, volunteer organizations and other community businesses to "provide green environment to the society and geography in and around the community" by engaging collectively in activities such as tree planting, green space maintenance and community awareness-raising with a celebration of Earth Day. **D**

While much of the change was due to their own volition and commitment, India Shoe is grateful for the guidance, advice and encouragement received from Timberland's Code of Conduct assessors in understanding their environmental footprint and implementing management systems to effectively control and reduce their impacts.

### ENVIRONMENTAL ASSESSMENT RESULTS

for all Timberland factories



## { IMPROVING WORKER HEALTH & SAFETY }

Our remediation efforts with regard to health and safety target (among other criteria) the four most common sources of violations: Emergency Preparedness & Fire Safety, Chemical Injury Hazard Control Physical Injury Hazard Control and Medical Services.

A collaboration with Zhong Shan Xin Zhan Shoe Company (also known as Sonych) in China shows how improvements can be achieved. Sonych is a factory with approximately 4,300 workers and has been a Timberland supplier since 2005. Over the years, only incremental improvements were realized in the factory's ability to effectively manage health and safety matters. The factory showed strong intentions of improving its health and safety ratings in our assessment process, but it lacked commitment and follow through to establish a true Health and Safety management system. **R**

In 2008, we saw a significant improvement as Sonych successfully rectified all issues surrounding first aid/ medical services, sanitation/hygiene and structural integrity. Significant improvements were also made with respect to chemical handling and mitigating physical risks of workers (noise, machine guarding, etc.). With help from Timberland's China assessor, the factory created a local CSR team to address these issues.

The team systematically implemented procedures and best practices such as setting up routine monitoring procedures, designating people to collect workers' suggestions (and complaints) and researching and adapting practices that had been learned from our assessor's trainings and from other factories. This remediation plan was also successful because it was driven by a strong commitment from the factory's management and had the support and assistance of its sister company, which has a well-established CSR program.

Timberland understands that big changes like these aren't easy for factories to become accustomed to. And we know it takes more than a willingness on the part of factory management to make these improvements. Seeing remediation plans through and ensuring the improvements are sustained is something that we must keep ahead of. While there are challenges involved in doing business this way, Timberland and our partners know that in the long run, not only is it the right thing to do, but ultimately it's better business for everyone. **G**

## { ENVIRONMENTAL, HEALTH & SAFETY ROOT SUBJECT METRICS }

*for all Timberland factories*

|   | 2007                 |            | 2008                 |            |
|---|----------------------|------------|----------------------|------------|
|   | # of Factories Cited | % Assessed | # of Factories Cited | % Assessed |
| Emergency Planning & Fire Safety          | 284                  | 80%        | 262                  | 79%        |
| Physical Agent Exposure/Hazard Mitigation | 228                  | 65%        | 213                  | 64%        |
| Chemical Agent Exposure/Hazard Mitigation | 137                  | 39%        | 150                  | 45%        |
| Medical Service                           | 159                  | 45%        | 114                  | 34%        |
| Environmental Management                  | 124                  | 35%        | 145                  | 44%        |
| Sanitation/Hygiene                        | 103                  | 29%        | 102                  | 31%        |
| Structural Integrity                      | 35                   | 10%        | 28                   | 8%         |

## { ENGAGING COMMUNITIES AND EMPOWERING WORKERS }

The empowerment of workers can take many forms and yield many different results. Below are just two recent examples of factories we do business with whose employees have taken action and made their workplaces safer and more rewarding.

The first story involves Pou Yen, a factory in China where workers were trained to become Code of Conduct assessors. As part of their routine, these assessors would solicit worker opinions about the factory and then meet regularly with management to help them better understand the workers' needs. Workers and management began meeting, to brainstorm solutions to problems such as high noise levels from machinery. <sup>R</sup>

Pou Yen is a successful example of how a facility can become self-monitoring. Additionally, by being invited to participate in the process, workers began to care more about the factory and the community, leading to improved relations between workers and management. <sup>R</sup>

Heart & Mind, a children's garment factory in Thailand, has also undergone a transformation. First making improvements simply because Timberland and other brands wanted them to, Heart & Mind now takes the initiative, thanks to worker involvement in the assessment process.

First, the workers formed a committee to learn how to audit safe work practices and handle grievances. They then collaborated with management to establish a budget and plan for a community service project to improve

their workspace. Committee members arranged for tools, materials, food and time (both on and off the clock) for the re-greening of an outdoor space. Factory workers, community members, supervisors and management all turned out to transform the space into a beautiful recreation spot—and a source of pride for all. The project was so successful that the worker committee is now looking to expand their service model to the community at large. <sup>R</sup>

Given the success of these pilot projects, Timberland has set a 2009–2010 goal to have 50% of our factories engage their workers in the assessment process and for each assessor to engage at least one factory in his or her region in community service programs.

You can find many more details about Timberland's experiences with Pou Yen in China and Heart & Mind in Thailand in our "Dig Deeper" paper, *Beyond Factory Walls: Engaging Workers; Strengthening Communities*, available online at [www.earthkeeper.com/csr](http://www.earthkeeper.com/csr). <sup>R</sup>



### DIG DEEPER

Download our white paper *Beyond Factory Walls* at [earthkeeper.com/csr](http://earthkeeper.com/csr) to continue reading about our commitment to the basic rights and dignity of workers, and join the discussion on how the conditions can be improved for workers everywhere.



# THINKING GLOBALLY... ACTING LOCALLY.

At Timberland, we strive to make positive change in the places where we live and work. Working with our business partners, stakeholders, consumers and communities, we believe that through service, we can make a difference in our local communities around the globe. We offer a number of ways for employees to become involved, such as the Path of Service™ program, which gives full-time employees an annual benefit of 40 hours for community service, and our Earth Day and “Serv-a-palooza” pillar service events. 2007 marked our 10th anniversary of these pillar service events—and our 500,000th volunteer hour as a company. In 2008, we launched a two-year campaign focused on community greening—that is, projects such as building playgrounds, refurbishing trails, painting schools and planting trees—to ensure all service projects are infused with Timberland’s environmental values.

## Progress Report

### FOOTPRINT: SERVICE

| SERVICE GOALS FOR 2007-2008  | METRIC  | RESULTS  | PROGRESS   |
|--|---|--|------------|
| Increase the measurable impact of our Path of Service program                                      | Hours Utilization Rate (HUR)                                      | We did not meet our 2007 or 2008 targets, as HUR actually decreased from 2007 at 40% to 38.8% in 2008. We've altered our 2010 target due to decreased employee headcount since 2007 (when our goals were initially created). Decreased headcount has increased responsibility for many employees who find it harder to serve during the workday. The new target better represents a meaningful challenge for improving our performance.  | ↓          |
|  | Hours spent serving the community                                 | We did not meet our 2007 and 2008 targets due to decreased employee headcount. At year-end 2008, Timberland employees served a total of 79,018 hours in the community. We've revised our forward-looking target to better represent a meaningful challenge for increasing employee engagement (see HUR) and total hours served.  | ↓          |
|  | Benefit Utilization Rate (BUR)                                    | While we met and exceeded our 2007 target with 76% employees serving at least one hour, we only slightly improved upon this result the following year. In 2008, 77% of Timberland employees served at least one hour, falling short of our target. We've revised our 2010 target to account for decreased headcount, which increases responsibility for employees who find it harder to serve during the workday. We will increase our efforts to engage employees who haven't served before.    | ↔          |
|  | Non-Timberland hours  | We leveraged our network of community and business partners to increase our impact, resulting in 7,593 hours in 2007 and 10,144 hours in 2008. We also leveraged our network of community and business partners, resulting in the and launch our Community Stewards program in 2009. Building from the success of Timberland's Global Stewards program, the Community Stewards program will educate, integrate and scale our community engagement efforts through current business partnerships. | New metric |
| Optimize the Global Stewards Program to provide a regular menu of compelling service opportunities | Increased service in local regions and improved CSR communication | Stewards have increased employee access to service in their regions by planning a variety of service events throughout the year. After receiving training on how to communicate our CSR strategy in their regions, Stewards successfully conveyed this information by presenting at employee rallies and creating visually compelling displays on their CSR messaging spaces in each office.   | ↑          |
| Pilot an automated online volunteer management system  | Better track, manage, evaluate and promote volunteer activity     | For Earth Day 2008, we launched Earthkeeper Actions, a customized online tool to track, manage, evaluate and promote volunteer activity. Nearly 75% of employees at our corporate headquarters are now using the site, which features personalized communication to each employee about upcoming service opportunities based on their user profile and interests.  | ↑          |
| <b>KEY:</b> ↑ GOAL MET    ↔ PROGRESS    ↓ DID NOT MEET   |   |  |            |



## Service Map of Impact

### { COMMUNITY ENGAGEMENT HIGHLIGHTS WORLDWIDE }

#### 1 DOMINICIAN REPUBLIC

Timberland employees at our factory served over 40,000 hours and planted more than 20,000 trees in Santiago and surrounding areas in 2007-2008.

#### 2 STRATHAM

At Odiorne State Park in Rye, New Hampshire more than 150 Timberland volunteers restored over 3 acres of community park land in 2008.



#### 3 DANVILLE

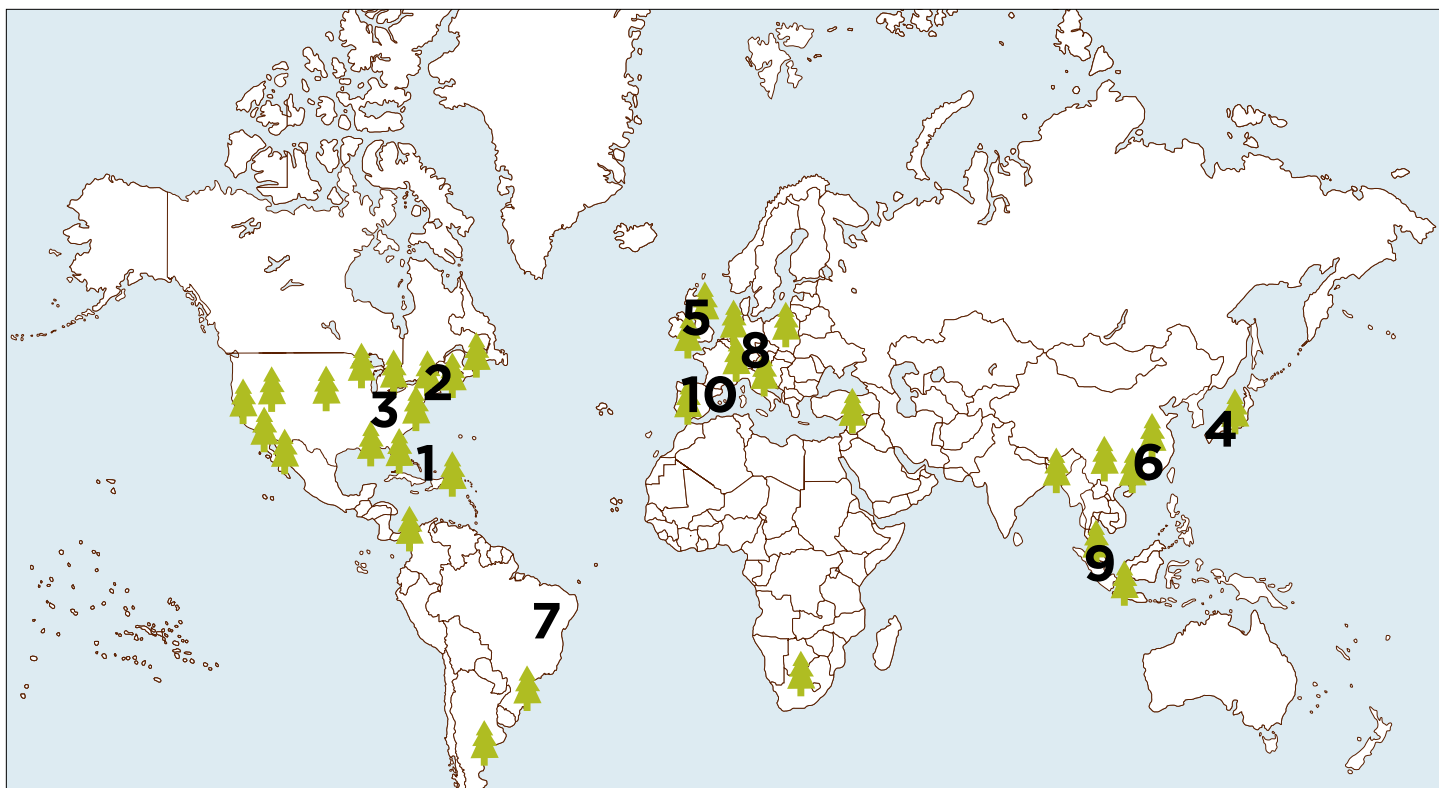
From 2007-2008, more than 120 Timberland employees from our Danville, Kentucky distribution center volunteered over 8,000 hours to help their local communities.

#### 4 JAPAN

Due to an increase in tourists and climbers, Mt. Fuji had a garbage problem that prevented it from becoming a World Heritage site. For Serv-a-palooza 2008, 87 Timberland employees and 7 Business Partners cleaned 29,000 square yards of Mt. Fuji, led by NPO Fuji-san Club.

#### 5 UNITED KINGDOM

For Serv-a-palooza 2008, 20 volunteers cleared 400 yards of an herb garden in Battersea Park for Thrive nonprofit.



#### 6 ZHUHAI

Timberland volunteers and factory partners worked together at Serv-a-palooza in 2007 and 2008 to plant saplings at a mangrove forest on a small island off the shore from Zuhai. The forest serves as a weather break for the city and had been damaged by various storms.

#### 7 BRAZIL

For Serv-a-palooza 2008, our distributors in Sao Paolo created a home garden with proper ergonomics considerations for elderly people to plant herbs and seasonings. The maintenance will be executed by the elderly as one weekly activity under supervision of a professional.

#### 8 GERMANY

In cooperation with Bergwaldprojekt e.v. employees, business partners and community members have built over 3km of Timberland Trail for the disabled, tourists, locals and schools with the aim of educating them on the environment in Bad Kohlgrub.



#### 9 SINGAPORE

From September to December 2008, volunteers from our Asia Headquarters and Timberland Singapore delivered lunches on every Thursday to 80 home-bound elderly people in partnership with Meals on Wheels.

#### 10 SPAIN

For Serv-a-palooza 2007 and 2008, 40 volunteers took part in the environmental restoration of the River Tordera in Barcelona, removing invasive species and planting 500 shrubs.

### D

### { TOTAL TREE PLANTING }

| CHANNEL          | DEFINITION  | NUMBER OF TREES |         |
|------------------|---|-----------------|---------|
|                  |   | 2007            | 2008    |
| Service-driven   | Projects that Timberland employees initiated and executed             | 21,076          | 17,941  |
| Marketing-driven | Projects that were planned, funded and executed by our Marketing team | 135,700         | 190,294 |
| Partner-driven   | Projects that were managed and owned by our Agents and Distributors   | 6,230           | 2,296   |
| Total            |   | 180,247         | 210,531 |



The tree icon on our map of impacts represents locations where tree planting took place in 2007-2008.

## GROWING THE GREEN SERVICE STANDARD AROUND THE WORLD

No matter what type of service we do, we want to ensure that every community service event represents our values. We developed our GREEN Service Standard, which launched for Earth Day 2008, to ensure that Timberland's commitment to excellence and environmental sensibility is infused in the review, planning and implementation of every project.

GREEN is an acronym that stands for:

- **Grassroots:** our service projects will grow from the needs, knowledge and leadership of the local community.
- **Reduce, reuse, recycle:** we will use recycled and repurposed materials when possible, and we will recycle all recyclable waste from our service sites.
- **Engagement:** we will engage local stakeholders in our project plan to ensure they feel ownership of the service that we do.
- **Educator:** both internal and external sustains the impact we make through service.
- **Neutral:** we will favor service projects that align with Timberland's goal of carbon neutrality by 2010.

**G** We aim to develop the GREEN Service Standard as a cornerstone of Timberland's approach to service. Toward this end, Timberland turned to its team of Global Stewards (a team of dedicated volunteers, one per Timberland office worldwide, who, in addition to their regular jobs, serve as ambassadors of Timberland's ethic of corporate social responsibility and drive community service within their region) to apply the GREEN Standard to all service events as part of our global CSR strategy.

The new GREEN Service Standard was put to the test in Hong Kong in 2008 when Amy Man, our Global Steward in the region, needed to adapt Hong Kong's annual service project at the Hong Chi home for disabled children to incorporate our new tool.

**G** Historically, half of our Hong Kong team would entertain the children with games and activities, while the other half of the team would clean and maintain the school buildings. After consulting with the CSR Team at Timberland headquarters, Amy came up with a creative way to maintain Hong Kong's commitment to Hong Chi while aligning the event with the environmental focus of the GREEN Service Standard. She researched possibilities and made careful preparations to ensure that both Hong Kong teams had an environmental focus. For the maintenance team, she purchased chemical-free cleaning products, such as baking soda and newspapers, and made other products from white vinegar to minimize the environmental impact of their work. Meanwhile, the entertainment team received advanced training to lead a group of children on an eco-tour of the Hong Kong Wetland Park, helping to inspire them with Timberland's passion for the outdoors.

Amy's innovation and execution demonstrates the success of the GREEN Standard. With a little bit of creative thinking, it's easy to apply an environmental ethos to service projects. And this integration is what Earthkeeping is all about.

## THE ECONOMIC IMPACT OF SERVICE

Right now, we can only calculate the economic impact of service for the United States. According to the Points of Light Foundation, the Independent Sector hourly rate for volunteering was \$19.05 in 2007 and \$20.25 in 2008. Therefore, Timberland enabled just over \$1.6 million worth (82,271 total hours of service in the U.S., both Timberland and non-Timberland employees) in volunteering in 2007 and 2008.<sup>17</sup> **D**



Timberland volunteers and factory partners worked together at Serv-a-palooza in 2007–2008 to plant saplings at a mangrove forest on a small island off shore from Zhuhai.

17. This statistic is published by the Independent Sector annually each Spring and can be found at [http://www.independentsector.org/programs/research/volunteer\\_time.html](http://www.independentsector.org/programs/research/volunteer_time.html)

## VOICES OF CHALLENGE

**QUESTION:** In these challenging economic times, how can companies and nonprofits best leverage their restricted resources to support and empower local communities?



### MICHAEL R. BLOOMBERG

Mayor, City of New York

"In New York City, we introduced *NYC Service* to make our city the easiest place to volunteer and direct efforts to areas where volunteers can make the greatest impact. Companies can make a difference, too. Start by asking: What are the most pressing needs in our community?"



### MAJORA CARTER

President, Majora Carter Group LLC

"There's more philanthropic spending than ever, yet charity supports disparity. Do we want more dependent or independent people? Investment and economic engagement strategies can distribute the range of experiences people need to succeed in times of plenty or scarcity."



### MICHELLE NUNN

CEO, Points of Light Institute and Co-founder of HandsOn Network

"We have the opportunity to use this moment of challenge to generate creative, new approaches that empower citizens to actively participate in community problem solving. Human talent is, uniquely, a renewable resource, and nonprofits and corporations must learn to better deploy this reservoir."

READ EVERYTHING THEY HAVE TO SAY, AND LET YOUR VOICE BE HEARD AT [EARTHKEEPER.COM/VOICESOFCHALLENGE](http://EARTHKEEPER.COM/VOICESOFCHALLENGE)

## TIMBERLAND & SHOE CARNIVAL: SEWING THE SEEDS OF SERVICE

At Timberland, we want to do good business. But what's also important is how we do business—and with whom we do it. We look for corporate partners who share our values and who can put those values into action to make great things happen. By inviting partners to experience our values in action, we believe we can inspire others and leverage their participation to have a greater impact in the communities we serve. **R**

In 2007, Timberland's long-term partnership with Indiana-based retailer Shoe Carnival was strengthened by a new type of business opportunity. Shoe Carnival knew of our experience with community service and contacted us to leverage it. We invited Shoe Carnival employees to attend Serv-a-palooza, our annual employee day of service. The Shoe Carnival staff was inspired by Timberland employees' engagement and wanted to learn more about how to engage their own employees. Timberland's Community Service Manager Tom Roberts took advantage of the opportunity to train Shoe Carnival employees to serve as Team Leaders at their own events.

Once back home, Shoe Carnival's Team Leaders set to work organizing a home-building event in collaboration with Habitat for Humanity of Evansville. On October 23, 2007, roughly 100 volunteers from Shoe Carnival, Timberland, Habitat for Humanity and the Evansville community gathered for a three-day service event focused on home construction.

They spent those days framing, siding, painting, roofing and finishing houses with the goal of helping 27 families into new homes by Christmas. It was an invigorating event for everyone—and a launch point for Shoe Carnival's ongoing community service program.

**G** By 2008, Shoe Carnival had created a section on their intranet site to let employees know about community service events. While Timberland has not had direct involvement in Shoe Carnival's recent activities, we're proud of our partnership with them in the Community Service arena. And our business relationship has been enhanced, too. In 2007, in spite of reduced volume, Timberland PRO's business with Shoe Carnival actually grew thanks in part to Sam Baker, our men's buyer who was the lead advocate for the service partnership inside Shoe Carnival.

**R** As a mid-sized company, Timberland's goal is to have an impact that's greater than our company alone. By engaging our partners and vendors in community service, we can exponentially increase that impact. And as our relationship with Shoe Carnival shows, it's amazing to see that our business partnerships can be strengthened while simultaneously helping a community in need.

## DIG DEEPER

For information on how we are integrating CSR into our employee base, and the volunteers helping us to accomplish this goal worldwide, download our white paper *Engaging Employees: Timberland's Global Stewards Program* at [earthkeeper.com/csr](http://earthkeeper.com/csr).

# Company Background

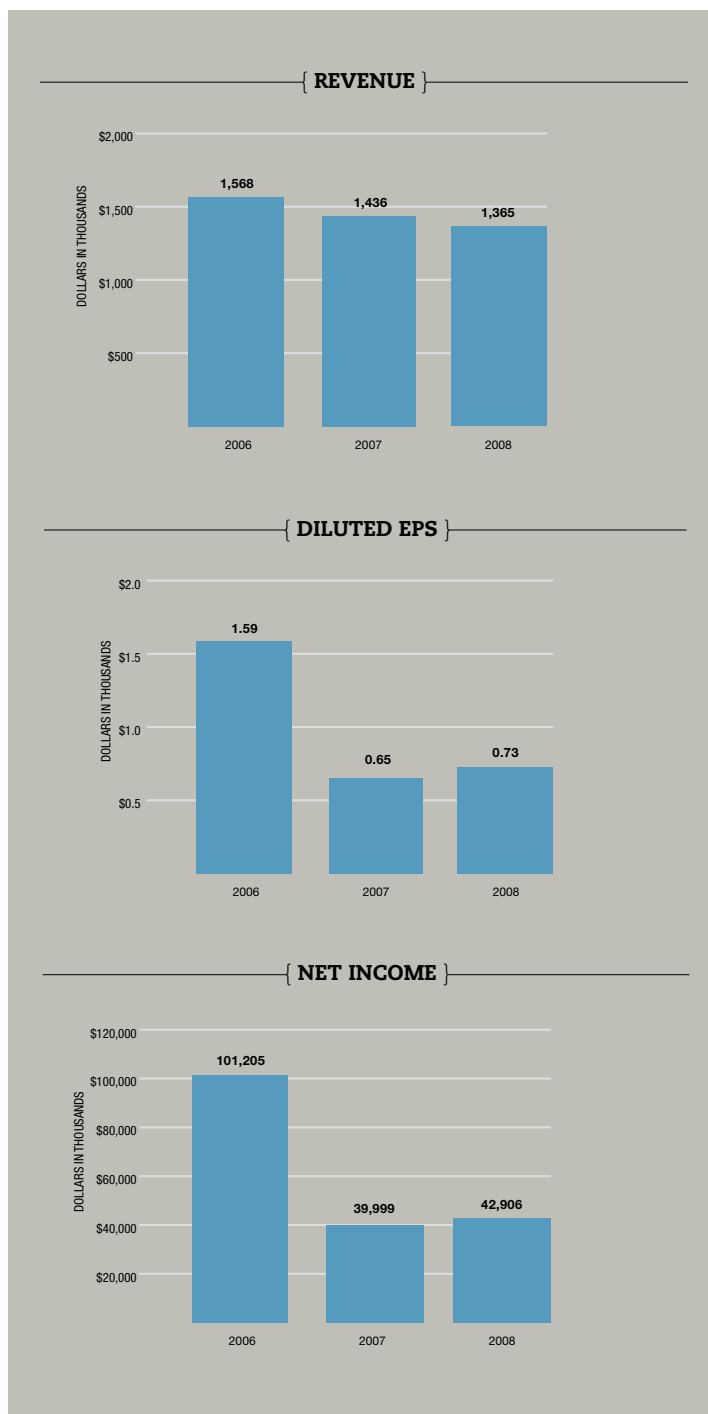
## Financial Performance

Our principal strategic goal is to become the authentic outdoor brand of choice globally by offering an integrated product selection of footwear, apparel and accessories for men, women and children that is inspired by the outdoors. Our ongoing efforts to achieve this strategic goal include: **G**

- Enhancing our leadership position in our core Timberland® footwear business globally through an increased focus on consumer segment development and technological innovation
- Expanding our global apparel business by leveraging the brand's rugged heritage and consumer trust through the establishment of licensing arrangements with globally trusted partners
- Expanding our brands geographically
- Driving operational and financial excellence
- Setting the standard for commitment to the community
- Striving to be a global employer of choice

**D** Some high-level views of our financial performance in 2006, 2007 and 2008 are included in the graphs at right. Please see our Annual Report on Form 10-K/A for more details about our financial performance.

See [www.timberland.com](http://www.timberland.com) for more information.





## Employees

Cultivating engaged employees is a primary objective for Timberland. Not only do we aspire to be an employer of choice, but we also rely on our people to execute our business goals and drive improvement and innovation. After all, to succeed as a company, we rely entirely on our employees. We know that we must engage all of our employees in order to reduce our social and environmental impacts. Giving employees the responsibility and opportunity to execute against our Earthkeeping objectives helps integrate CSR into our corporate culture. It also empowers employees to take part in our mission, as the small actions we all take contribute to Timberland's ability to be a responsible citizen, at work and at home. Please see below for updated global employee statistics for 2007–2008.<sup>18</sup> **G**

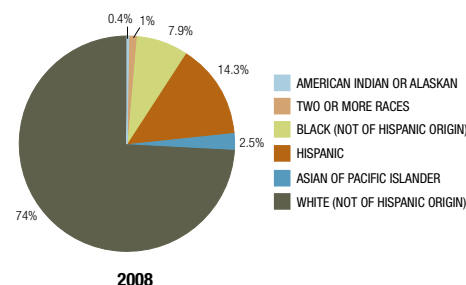
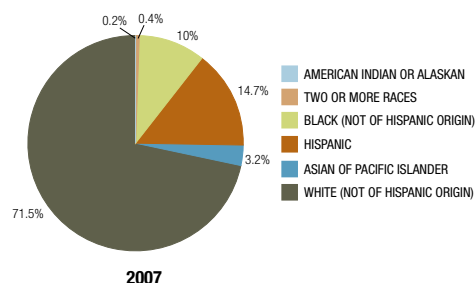
### { DISTRIBUTION OF TIMBERLAND EMPLOYEES }

|                                  | 2006        | 2007        | 2008        |
|----------------------------------|-------------|-------------|-------------|
| Office                           | 1820        | 1678        | 1546        |
| Manufacturing                    | 1610        | 1896        | 1910        |
| Distribution                     | 407         | 373         | 382         |
| Retail Stores                    | 1690        | 1672        | 1535        |
| <b>Total Number of Employees</b> | <b>5527</b> | <b>5619</b> | <b>5373</b> |

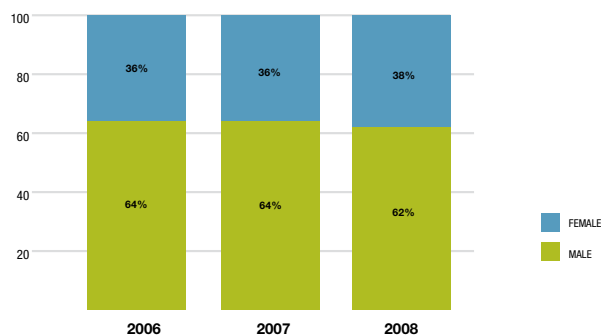
### { AVERAGE TENURE OF FULL-TIME TIMBERLAND EMPLOYEES }

|                                  | 2006       | 2007       | 2008       |
|----------------------------------|------------|------------|------------|
| Office                           | 5.4        | 5.6        | 6.0        |
| Manufacturing                    | 5.1        | 5.3        | 5.8        |
| Distribution                     | 4.8        | 5.4        | 5.7        |
| Retail Stores                    | 2.5        | 3.1        | 3.2        |
| <b>Average Tenure (in years)</b> | <b>4.5</b> | <b>4.9</b> | <b>5.3</b> |

### { DIVERSITY<sup>19</sup> }



### { GLOBAL COMPOSITION OF LEADERSHIP (MALE/FEMALE)<sup>20</sup> }

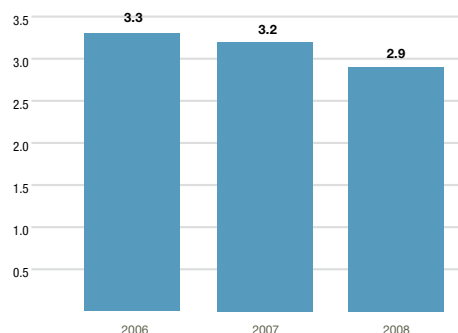


## Health and Safety

Timberland's Lost Workday Injury and Illness rate (LWDII) averages the amount of lost-time incidents (i.e., time away from work or a return to work with medical restrictions) for every 100 employees. We continue to work on improving our health and safety efforts globally. Safety and Health efforts in 2007 and 2008 further reduced the LWDII rate to 3.2 and 2.9 respectively.

These statistics represent all U.S. operations (including retail, corporate headquarters, Ontario and Danville distribution centers and SmartWool locations) and our Caribbean manufacturing plant located in the Dominican Republic. We are working on standardizing this metric to track global data in future reports. **D**

### { LWDII US AND CARIBBEAN }



18. Timberland's total full-time and part-time employees are used as a basis for the following figures. As of year end 2008, we had 5,373 full- and part-time employees. These figures do not include temporary employees.

19. Statistics represent U.S. Diversity only.

20. Leaders are defined as senior managers (grade 7) and above.

## Community Investment

At Timberland, we believe in strengthening communities through service and through the actions and beliefs of individuals committed to the common good. We also know that sustained change is advanced through strategic investments in partnerships, innovative nonprofits and high-impact programs. Timberland is mindful that a corporate donation—both cash and in-kind—is one indicator that helps us measure our commitment to strengthening local communities. Each year, we track donations as a percentage of the previous year's operating income and as one of the inputs

against our holistic approach to community involvement. In a year-over-year comparison between 2007 and 2008, there is a noticeable shift in the percentage of cash vs. Timberland® product donations (which are reported at retail value). This shift explains why charitable donations in 2008 grew as a percentage of the previous year's income. Despite the economic downturn, we are committed to continual engagement in the community through a portfolio of cash, Timberland® product, and in-kind donations. **D**

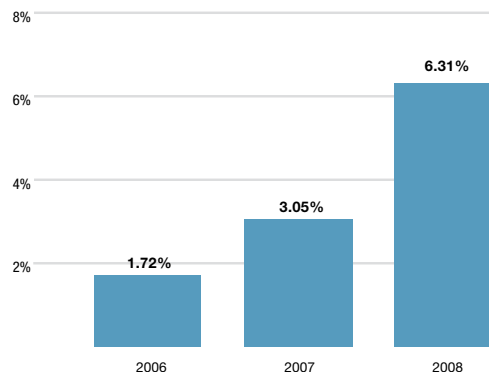
### { CHARITABLE CONTRIBUTIONS }

| 2008 CHARITABLE CONTRIBUTIONS <sup>21</sup>                | AMOUNT             |
|--|--------------------|
| Type of Donation   |                    |
| Cash   | \$1,068,104        |
| In Kind (e.g. tools and materials for service events)      | \$75,583           |
| Product (e.g. Timberland product reported at retail value) | \$2,591,651        |
| <b>TOTAL</b>   | <b>\$3,735,338</b> |
| 2007 Operating Income <sup>22</sup>                        | \$59,179,000       |
| Percent of Operating Income                                | 6.31%              |

| 2007 CHARITABLE CONTRIBUTIONS <sup>21</sup>                | Amount             |
|--|--------------------|
| Type of Donation   |                    |
| Cash   | \$1,885,700        |
| In Kind (e.g. tools and materials for service events)      | \$179,563          |
| Product (e.g. Timberland product reported at retail value) | \$2,900,596        |
| <b>TOTAL</b>   | <b>\$4,965,859</b> |
| 2006 Operating Income <sup>22</sup>                        | \$162,636,000      |
| Percent of Operating Income                                | 3.05%              |

| 2006 CHARITABLE CONTRIBUTIONS <sup>21</sup>                | Amount             |
|--|--------------------|
| Type of Donation   |                    |
| Cash   | \$2,178,748        |
| In Kind (e.g. tools and materials for service events)      | \$79,787           |
| Product (e.g. Timberland product reported at retail value) | \$1,859,908        |
| <b>TOTAL</b>   | <b>\$4,118,443</b> |
| 2005 Operating Income <sup>22</sup>                        | \$240,101,000      |
| Percent of Operating Income                                | 1.72%              |

### { CONTRIBUTIONS AS PERCENTAGE OF OPERATING INCOME }




21. Company-wide contribution figures consistent with figures reported to IRS.

22. Operating income figures derived from Annual Report 10-K/A.

# Report Scope


The Timberland Company designs, develops, engineers, markets and distributes, under the Timberland®, Timberland PRO®, SmartWool®, Timberland Boot Company™, howies®, IPATH and Mountain Athletics® brands, premium quality footwear, apparel and accessories products for men, women and children.

The information in this report represents the impacts of our operations for Timberland, Timberland PRO, Timberland Boot Company and SmartWool. Instances where we report only on US-based activities are clearly indicated. The impacts of the howies® and IPATH® brands have not yet been incorporated into our CSR data collection efforts. In the future, our goal is to incorporate these brands' CSR impacts into our reporting, although they represent less than 5% of our total footprint to date.

To see more updated quarterly performance metrics for 2009, please visit [www.earthkeeper.com/csr](http://www.earthkeeper.com/csr) 

## The Basis of this Report

This report was developed based on the Global Reporting Initiative's G3 Guidelines and Apparel and Footwear Sector Supplement (AFSS). While we attempted to create a comprehensive report, there are some G3 and AFSS indicators not included in this report. There are several reasons for these omissions. Our impact may have been immaterial, or we might have lacked enough internal data to provide a report. In the future, our goal is to narrow that gap as we continue to report on social and environmental impacts that are both relevant and strategically important. For more information about the Global Reporting Initiative, see [www.globalreporting.org](http://www.globalreporting.org) 

For a full listing of how the performance data in this report lines up against the GRI metrics, please see our full GRI and AFSS Index at [www.timberland.com/csrreport](http://www.timberland.com/csrreport) 




Every data point in this report was verified internally, as was the way it was characterized. We continue to explore the viability of an external verification program.

**If you have any questions about this report, please direct them to:**

Beth Holzman  
CSR Strategy & Reporting Manager  
[bholzman@timberland.com](mailto:bholzman@timberland.com)  
603-772-9500 ext. 2281

The Timberland Company  
200 Domain Drive  
Stratham, NH 03885  
603-772-9500  
[csrinfo@timberland.com](mailto:csrinfo@timberland.com)

## GRI APPLICATION LEVEL


| Report Application Level |  | C  | C+                        | B  | B+                        | A   | A+                        |
|--------------------------|--|--|---------------------------|--|---------------------------|---|---------------------------|
| Standard Disclosures     | G3 Profile Disclosures    | Report on:<br>1.1<br>2.1-2.10<br>3.1-3.8, 3.10-3.12<br>4.1-4.4, 4.14-4.15  | Report Externally Assured | Report on all criteria listed for Level C plus:<br>1.2<br>3.9, 3.13<br>4.5-4.13, 4.16-4.17   | Report Externally Assured | Same as requirement for Level B   | Report Externally Assured |
|                          | G3 Management Approach Disclosures                                    | Not Required   |                           | Management Approach Disclosures for each Indicator Category  |                           | Management Approach Disclosures for each Indicator Category   |                           |
|                          | G3 Performance Indicators & Sector Supplement Performance Indicators  | Report on a minimum of 10 Performance Indicators, including at least one from each of: Economic, Social and Environmental. |                           | Report on a minimum of 20 Performance Indicators, at least one from each of Economic, Environmental, Human rights, Labor, Society, Product Responsibility. |                           | Report on each core G3 and Sector Supplement® Indicator with due regard to the Materiality Principle by either: a) reporting on the Indicator or b) explaining the reason for its omission. |                           |

The GRI Application Level of Timberland's 2008 CSR Report





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