

Timberland Quarterly CSR Reporting: Q1 2010

CSR Strategic Pillar #3: Workplaces



1. Become carbon neutral
[energy].



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



2. Design recyclable *product*.



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



Average Assessment Score

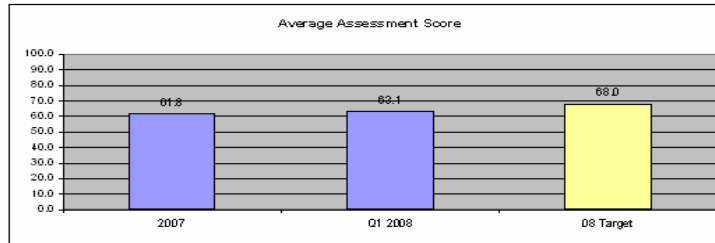
Year	Average Assessment Score
2007	61.8
Q1 2008	63.1
08 Target	68.0

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

For background on Timberland's assessment process, please see our 2006 CSR report at: www.timberland.com/csreport

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

Analysis



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

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

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

Company Q1 2008 Results

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

This section provides background information on the metric.

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

The graphs display trend data and future targets.

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



CSR Strategic Pillar #3: Workplaces

Metric: Percentage of "High Priority" Factories

Year	High Priority
2007	38%
2008	38%
2009	32%
Q1 2010	22%
2010 Target	30%

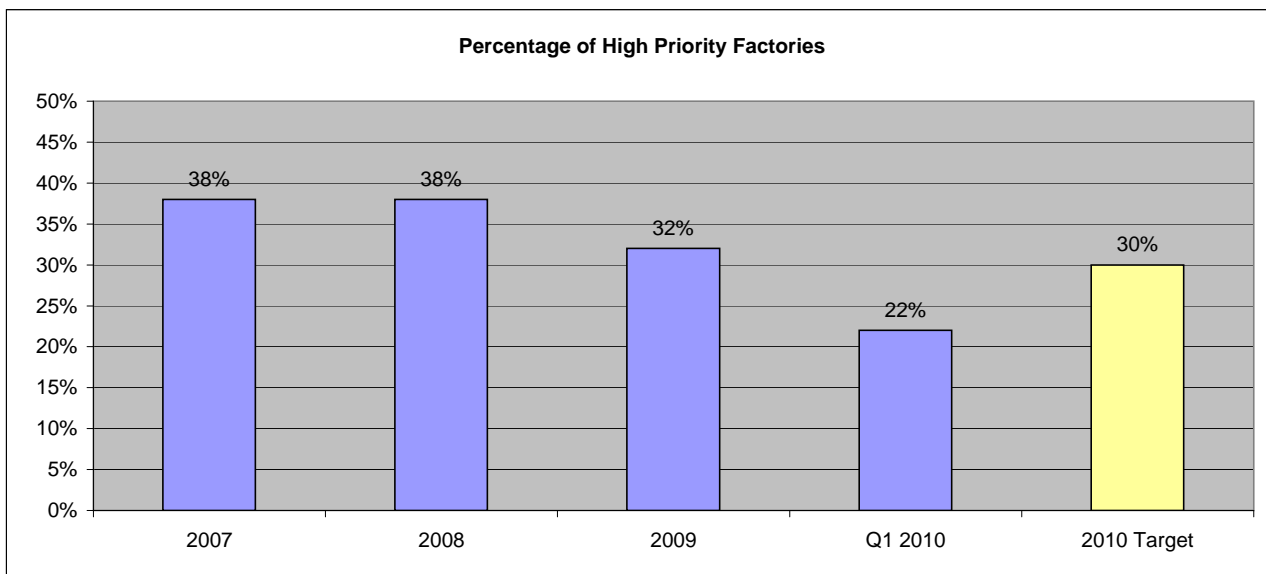
Data Qualifier: Percent of Active factories as of end of reporting period (Current Profile) with a score of < 60 on their last assessment.

For background on Timberland's factory designation, please see our 2006 CSR report at: www.timberland.com/csrreport

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

Note to stakeholders: Data consistency

Our previously disclosed 2009 annual performance measured our current profile (see Q4 Workplace Data Qualifier). We have updated the 2009 year end performance to reflect all assessments completed during the calendar year and restated the data here.



Context

Code of Conduct Scores fall into 3 categories: High Priority (scores below 60); Acceptable (60-79); and Partner (score of 80 or above). These designations are used to prioritize our efforts to assist factories with remediation. Factories that score Partner have well-developed social and environmental management systems with few, if any, actions needed. Factories that score Acceptable will have actions to complete, but have sufficient internal skills/knowledge to implement remediation steps without significant assistance from Timberland assessors. Factories that score High Priority have Immediate Action violations and/or environment, health & safety issues for which the factory lacks sufficient management systems, skills and/or knowledge to address. Timberland assessors increase their remediation assistance efforts for factories that score High Priority. Please note that High Priority does not necessarily mean high risk. High Priority factories are set to a 6-9 month assessment frequency with active monitoring of action plans and remediation assistance.

Analysis

At the end of Q1 2010 we had a total of 278 active factories. There were a total of 37 assessments conducted during Q1. Nineteen (19) of the 37 assessments were of continued business partners - all of which scored Acceptable or better, with five (5) moving out of High Priority range in this year's assessment and two moving into the Code of Conduct Partners category. These results demonstrate a significant reduction of the percentage of High Priority factories. However, of the eighteen (18) other assessments there were five (5) new suppliers that scored in the High Priority range. The issues at these factories pertained to properly calculating and paying legal wages and related transparency and recordkeeping concerns. These findings are not uncommon with new suppliers; all five factories with these High Priority issues have agreed to fully remediate the issues with systemic action plans. The remaining 13 new suppliers did not have high risk issues - which shows that our supply chain / sourcing team is incorporating Timberland's Code of Conduct review in their supplier selection process.



CSR Strategic Pillar #3: Workplaces

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

Note to stakeholders: Data consistency
 Our previously disclosed 2009 annual performance measured our current profile (see Q4 Workplace Data Qualifier). We have updated the 2009 year end performance to reflect all assessments completed during the calendar year and restated the data here.

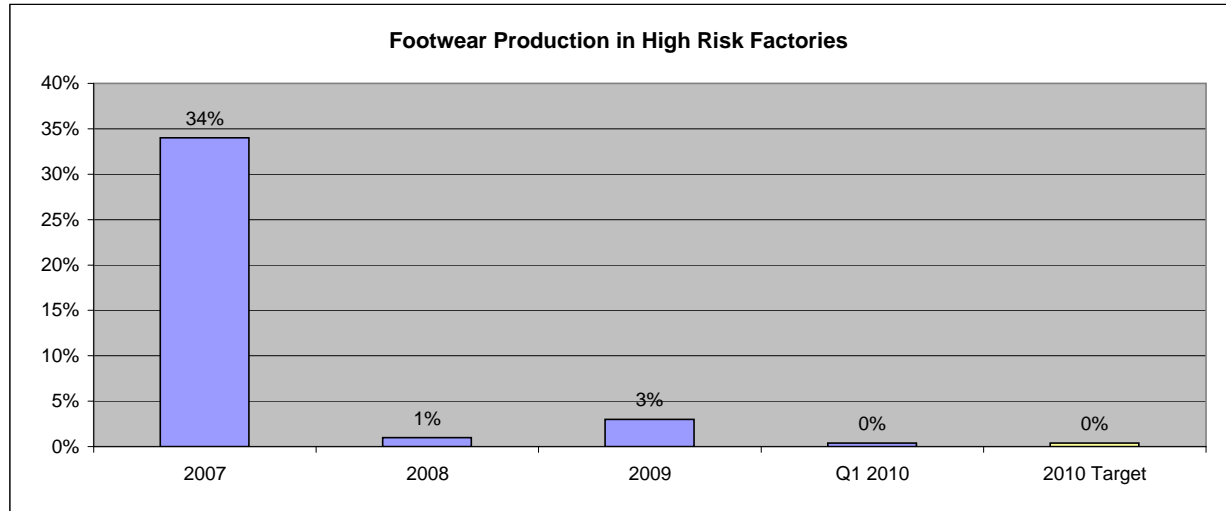
Year	Production
2007	34%
2008	1%
2009	3%
Q1 2010	0%
2010 Target	0%

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

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

www.timberland.com/csreport

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



Context

Risk ratings are applied to assessment findings based on definitions for low, medium, and high risk scenarios. Risk ratings range from 0-500. High risk is defined as 400-500 risk ratings (representing situations of high hazard, high probability and potential for high impact such as regularly working all workers over 72 hours/week, 12 hours/day or 7 days consecutively; employing debt-bonded labor or child labor; intentional disregard for legally mandated wages or benefits; or lack of effective machine guarding or emergency stops on equipment where loss of life or limb is reasonably foreseeable (short list)). For factories that receive High Risk ratings, Timberland assessors revisit the factory within a 90-day period to ensure corrective actions are taken. This metric is reported quarterly based on updated assessment results.

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

Analysis

We have not had any changes in footwear production or factory scores since Q4 2009, meaning that we continue to find 0% of our factories in the High Risk range. Our 2009 year end data shows 3% of production placed in "high risk" factories due to environmental health and safety (EHS) issues in one footwear factory in India in Q1 2009 and Q2-3 2009 in a factory in Vietnam. Our high risk production decreased to 0% in Q3 2009 as a result of successful remediation implementations in those factories. In Q4, these factories were re-assessed, which confirmed the sustainability of the improvements.



CSR Strategic Pillar #3: Workplaces

Metric: Average Assessment Score

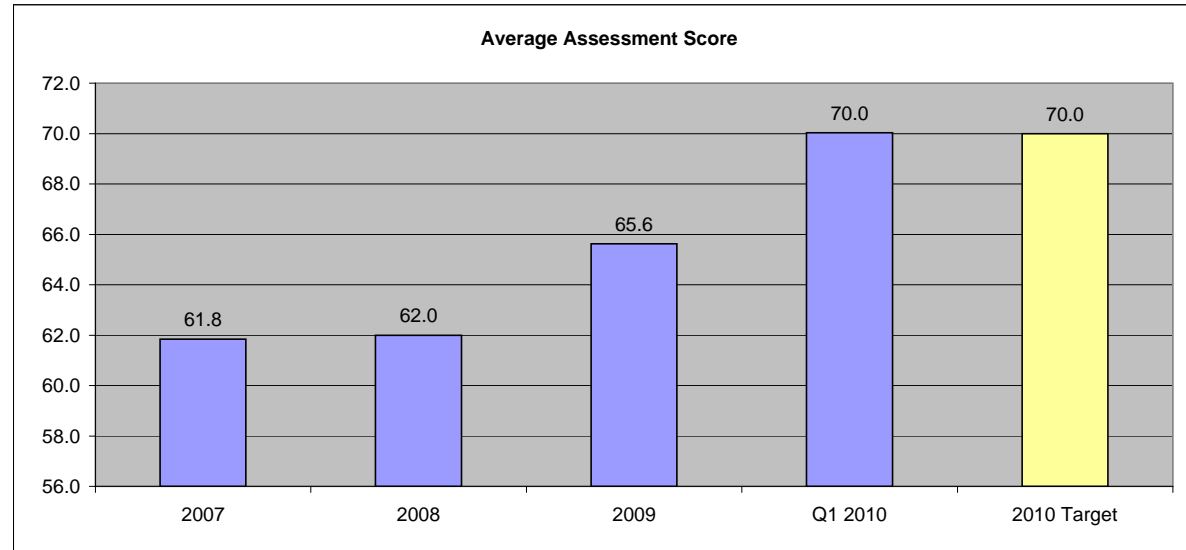
Year	Average Assessment Score
2007	61.8
2008	62.0
2009	65.6
Q1 2010	70.0
2010 Target	70.0

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

For background on Timberland's assessment process, please see our 2006 CSR report at: www.timberland.com/csreport

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

Note to stakeholders: Data consistency
 Our previously disclosed 2009 annual performance measured our current profile (see Q4 Workplace Data Qualifier). We have updated the 2009 year end performance to reflect all assessments completed during the calendar year and restated the data here.



Context

We expect continuing business partners to improve their score year-over-year, which should drive an increase in overall score year-over-year. This metric, however, is also dependent upon the scores of new suppliers. Traditionally, new suppliers score low on their initial assessment as a result of this being their first introduction to our high standards. See High Priority Factories metric for detailed description of scoring methodology.

Analysis

At the end of Q1 2010, the overall average assessment score for all factories (278 in total) was 70. There were 37 assessments conducted in Q1 of 2010 – 19 continued business partners and 18 new suppliers. The average score of the continued business partners was 68.0; and 59.0 for new suppliers. 30 suppliers were dropped during this time, 29 of which were dropped for non-Code reasons; the remaining 1 supplier (a licensing factory) was dropped because of a lack of commitment to our Code of Conduct. Collectively, these dropped factories had an average score of 61, which is lower than factories' current performance.



CSR Strategic Pillar #3: Workplaces

Metric: Average Environmental Assessment Score - Not Including Tanneries

Year	Average Environmental Assessment Score
2007*	1.88
2008*	2.10
2009*	2.15
Q1 2010	0.65
2010 Target	1.00

Note to stakeholders: Data consistency

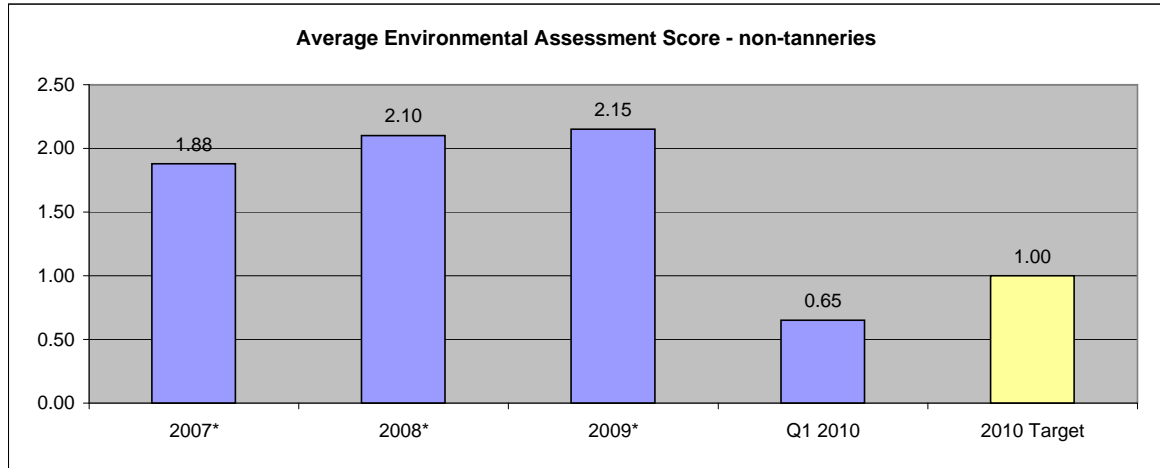
Our previously disclosed 2009 annual performance measured our current profile (see Q4 Workplace Data Qualifier). We have updated the 2009 year end performance to reflect all assessments completed during the calendar year and restated the data here.

* All 2007-2009 data reflects our previous calculation methodology (see Context). All 2010 data (going forward; see Data Qualifier) reflects current quarterly data only. This ensures we are evaluating all factors (including two new components - see Context) in our scoring methodology in line with the GSCP Framework.

Data Qualifier: Overall average Environmental Score for all factories assessed during the reporting period. Includes factories from all Timberland business units with the exception of tanneries, which have separate environmental audits and are reported separately.

For background on Timberland's assessment process, please see our 2006 CSR report at: www.timberland.com/csreport

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



Context

Timberland's average environmental score comes from the environmental portion of our Code of Conduct Assessments. Starting in January 2010, Timberland adopted the environmental framework and scoring methodology of the Global Social Compliance Program (GSCP) - a collaboration of brands looking to drive consistent monitoring, measurement, and best practices for social and environmental compliance in the supply chain. Under Timberland's previous scoring methodology, we incorporated 7 criteria; under the new GSCP scoring framework, we have added two new components: Ozone Depleting Substances and Nuisances.

In our new scoring methodology, there are minimum requirements such as compliance with all legal requirements that must first be met for each category. If any minimum requirements are missing or lacking, the rating is FAIL. If the minimum requirements are met, the rating is PASS (or Level 1, 2, or 3 if the requirements for these Levels are satisfied). Level 1 is designed to show "Compliance and Awareness" of the environmental topic; Level 2 is designed to show "Proactive Management and Performance Improvement"; and Level 3 requires "Leading Practice". To score the next highest level, all requirements of the previous level must be satisfied.

The Target for 2010 under the new scoring system is set at Level 1 ("Compliance and Awareness"). We anticipate Level 1 to be consistent with a score of 2.4 under our old scoring system (which our 2008 and 2009 Target was set at).

Analysis

34 non-tannery assessments were completed in Q1 with 18 being new suppliers and 16 continued business partners. Only 3 suppliers scored at least Level 1 in all 9 categories, and one supplier (a new footwear factory in Vietnam) scored Level 2 or better in all categories. We believe these Q1 results, which are below target, are reflective of a learning curve regarding the new categories and scoring methodology. It is also reflective of the lack of environmental awareness by our new suppliers, as these topics are introduced to them for the first time. However, the 18 new suppliers scored better collectively than the 16 continued business partners (0.71 v. 0.63 respectively). What these averages signify is that there are instances where Timberland minimum requirements are not being met, for which action plans are being implemented to remediate. These scores also show that the majority of suppliers are not able to meet Level 1 requirements currently. Feedback from our assessors indicate that factories are willing to implement action plans to bring their performance beyond minimum expectations to satisfy the requirements of Level 1 in full for all 9 environmental topics.



CSR Strategic Pillar #3: Workplaces

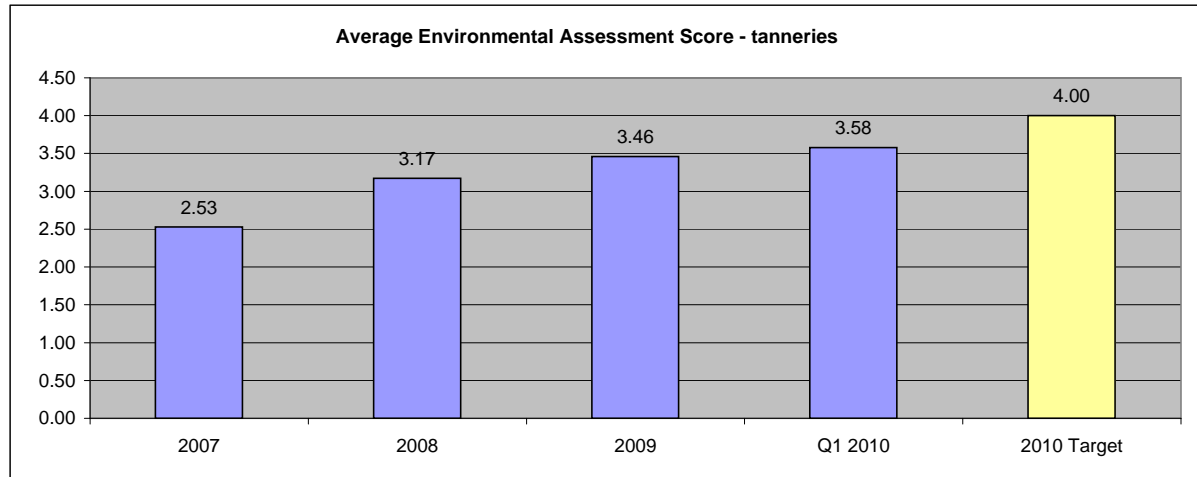
Metric: Average Environmental Assessment Score - Tanneries

Year	Average Environmental Assessment Score
2007	2.53
2008	3.17
2009	3.46
Q1 2010	3.58
2010 Target	4.00

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

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

Note to stakeholders: Data consistency
 Our previously disclosed 2009 annual performance measured our current profile (see Q4 Workplace Data Qualifier). We have updated the 2009 year end performance to reflect all assessments completed during the calendar year and restated the data here.



Context

Footwear leather suppliers undergo an environmental audit by British Leather Company (BLC) under protocols established by the cross-brand Leather Working Group (LWG). Overall total score is converted to a 0-5 scale consistent with Timberland's environmental assessment scoring for all factories. Based on the total score, tanneries are rated as follows: Failure (0) = Illegal discharge or disposal; Compliant (2) = Compliant with law and minimum brand requirements; Bronze (3) = Above minimum in all subject areas; Silver (4) = Industry-Standard Best Practices employed; Gold (5) = Leading Practices employed. Our 2010 Target is Silver (4), as we intend to only source from Silver-rated tanneries by year end.

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

Analysis

At the end of Q1 2010 there are 27 active Tanneries with an average environmental score of 3.58. There were 3 LWG audits completed during Q1 2010. All three scored Gold and improved scores from their previous audits, thus driving up the average score from Q4 2009. These Gold-rated tanneries are implementing leading technologies such as solar water heating and reverse osmosis water treatment as well as examining their everyday practices in a rigorous way to reduce water, energy and chemicals use.



CSR Strategic Pillar #3: Workplaces

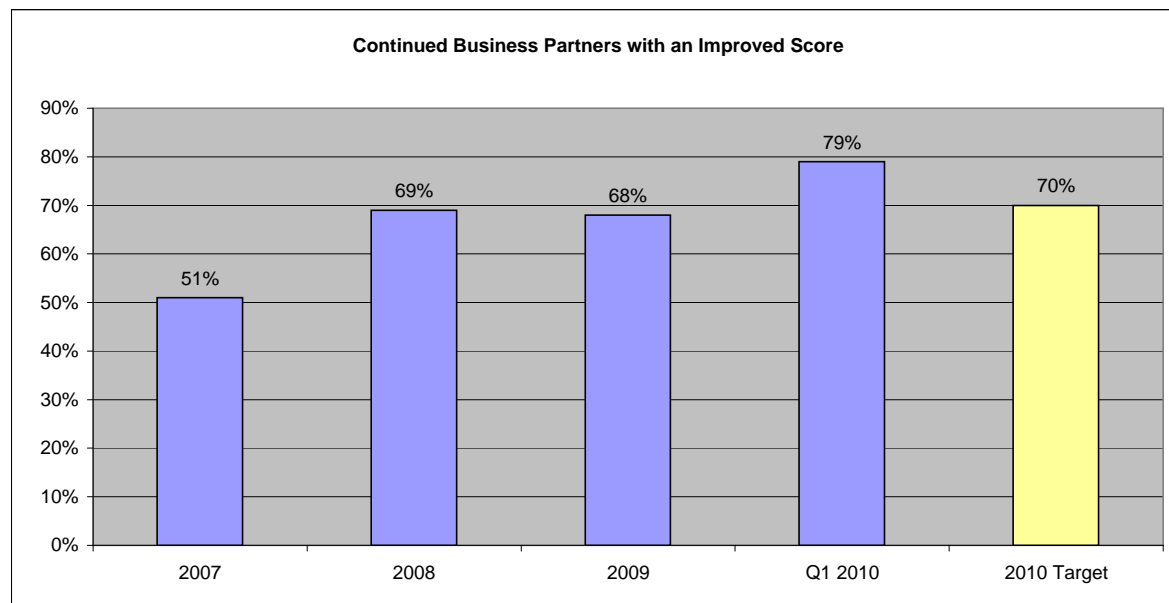
Metric: Progress Seen by Continued Business Partners

Year	Continued Business Partners with an Improved Score
2007	51%
2008	69%
2009	68%
Q1 2010	79%
2010 Target	70%

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

For background on Timberland's assessment process, please see our 2006 CSR report at: www.timberland.com/csreport

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



Context

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

Analysis

There were 19 assessments completed in Q1 2010 of Continued Business partners (37 total assessments). Fifteen (15) of the 19 (79%) scored higher with this assessment than their last, indicating progress and improvement. Of the four (4) that did not realize improved scores, only one factory's score resulted in a decrease significant enough to move from an Acceptable rating to High Priority. Where improved scores were not realized, our assessors have revisited prior action plans to understand the root cause in those factories. Most often, we have found management system gaps that caused corrected issues to resurface; in other instances, factory focus shifted to address issues identified in the assessment process, which left other matters unattended and resulting in new issues - another symptom of lacking solid management systems. Corrections to these system gaps are required as part of action plans going forward. All High Priority factories are set to a 6-9 month assessment frequency with active monitoring of action plans and remediation assistance.