



THE TIMBERLAND COMPANY
2006 CORPORATE SOCIAL RESPONSIBILITY REPORT



WHAT DOES IT MEAN TO “MAKE IT BETTER”?

At Timberland, we live by a simple challenge and a common commitment—“Make it better.” Every day, we apply skill and passion to finding new ways to improve our products. Strengthening our relationships with stakeholders. And enhancing the communities where we live and work.

“Make it better” is straightforward, practical and common sense. It is a journey and not a destination. It can be found in small measures of goodness and in revolutionary breakthroughs in product technology. It’s the shoes we craft and the green spaces we restore. And at the end of the day, our hope is that, through the people and places we touch, we do our share to create a better world and a more beautiful planet.



VOICES OF CHALLENGE 2.0

The Voices of Challenge sections throughout this report give you a flavor of the conversations that are happening around the world in conferences, coffee shops, factories and boardrooms about the material environmental and social issues of our industry.

Last year's Corporate Social Responsibility (CSR) report included essays about these issues from prominent leaders in other organizations. This year, instead of a series of monologues, we are offering a dynamic dialogue among a variety of stakeholders. After all, we operate in a global economy and must be responsive to stakeholders at all levels in order to remain relevant and competitive in a changing landscape. As you read this report, you will see the thoughts of a factory employee next to those of the Executive Director of a non-profit or a senior executive of a large organization. Our hope is that, in this way, our Voices of Challenge will provide a more nuanced picture of the environment companies operate in as they work to become more responsible citizens.

The conversation doesn't stop here. If you want to have your voice heard, tell us what you think at csrinfo@timberland.com.

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The rhythm and din of shoe making is a sweet music to my ear—I grew up in our factories. I learned to make shoes alongside real craftsmen, taught by my grandfather and my dad. I inherited from them a love of the music of factories, and the responsibility to make the music purposeful and valuable...

Those sounds—machines whirring, metal clanking, animated conversation of men and women as they stitched and crafted the wonder of a shoe from the canvas of leather. To some, a cacophony. To me, the daily symphony of progress. Sound, conversation, connection defined our mission and inspired our community.

Today, that symphony of the factory floor remains a bold crescendo in my Timberland iPod. The sounds of an engaged community aligned against a common vision. Press “shuffle” and you’ll hear different rhythms, separate beats. Designers inventing sustainable products. Employees and consumers reforesting the Horqin Desert in Inner Mongolia, Marston Vale outside London, and the Bronx with Sustainable South Bronx. Factory workers in classrooms learning HIV/AIDS education. And my current favorite—the whoosh of the windmill and the chords of the solar panels as sun and breeze power Timberland properties around the world.

So before you: a report. Non-toxic ink on recycled paper. Our annual presentation of rigorous, objective and transparent measures of our performance against key social, environmental and human rights initiatives. Adhering to the rigorous standards of Global Reporting Initiative (GRI) and pushed further by our own insistence to define new standards of excellence and collaboration. Where’s the beat? It’s in here. I respectfully ask for you to listen to rather than read—the words before you. These are the voices of suppliers, customers, consumers, employees, community leaders and activists. This is the 21st century rendition of the rhythm of my grandfather’s factory floor.

Publishing a statement of accountability is necessary, but not sufficient. If we write a report and fail to initiate a conversation, we have missed an opportunity. And if our report represents our only venue for engagement, then we have failed. An engaged community—a convening of stakeholders committed to environmental stewardship, community strength, global human dignity, and the quality of life for our workers and those citizens with whom we are privileged to serve—is my intent. Our process of reporting is not “us” to “you”. This report is a forum for you. React, respond, challenge, commit. I commit back to you that we will listen and act.

In 20 years we’ve learned that we innovate and drive progress only in collaboration with others. That sustained change demands connection and commitment. Stepping into the civic square gains grace and purpose alongside men and women from industry, community, government and the non-profit field. This report is today’s evidence of our commitment. But tomorrow—and the day after that—we will invest equal energy and passion to gain wisdom and challenge from voices around the world. I am my grandfather’s grandson and know of no other way.

I ask for you to add your voice to those who have so graciously contributed to our report. And, I express my sincere gratitude for your interest and commitment to our planet and our global community.



Jeffrey Swartz
President and CEO
The Timberland Company

THE TIMBERLAND FOOTPRINT

FRAMEWORK FOR COMMERCE AND JUSTICE

Corporate Mission: To equip people to make their difference in the world.



Core Values: Humanity, Humility, Integrity and Excellence



Bold Goals:

- Become the authentic outdoor brand of choice by providing inventive and practical products to our consumers
- Be the business partner of choice by providing distinctive value to our customers
- Be a top employer of choice globally
- Be the reference for socially accountable business globally
- Deliver exceptional financial performance for shareholders

OUR APPROACH

For more than 30 years at Timberland, two things have endured:

1. Values that are absolute
2. An enterprise vision that is ambitious and defies expectations

As a business, we invent premium, pragmatic solutions that challenge aspiration, test personal limits, deliver a brand truth and exceed expectations of performance, technology and quality. Timberland equips you—most literally—to make your difference in the world.

But gear is not enough. Not when you pursue a global standard for both commerce and justice. As a community of men and women, we aspire to stand firmly in the civic square, committing passion, skill and resources to ideas—and people—that generate civic energy for the common good. These relationships can be with any of our stakeholders, from employees, consumers and business and community partners to the media and Wall Street. It's all part of Timberland's commitment to sustained, positive impact in three strategic areas:

- Environmental stewardship
- Global human rights
- Community involvement

THE CSR ORGANIZATION AT TIMBERLAND





CRITICAL ISSUES

As a global brand of footwear, apparel and accessories, we are held to the highest standards of responsible corporate citizenship. Our industry is highly scrutinized, and the recognition factor of our brand adds to this responsibility. National standards and social contracts differ, which means that we face a highly complex network of factories, distributors, customers and consumers. To help make sense of it, we rely heavily on our stakeholders—that is, consumers, non-governmental organizations (NGOs), suppliers, shareholders and our own employees—to help guide us to be a more accountable corporate citizen.

In this report, we have focused on three critical issues for our organization:

- Working hours in factories
- Global warming
- Nonprofit partnerships

These three issues also happen to correlate with three of the pillars of our CSR organization: Global Human Rights, Environmental Stewardship and Community Involvement. We didn't come up with these issues on our own. These

are the important topics our stakeholders 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.

ORGANIZATION OF THE REPORT

While this report represents a comprehensive view of our CSR work, we've tried to focus each section around one of the critical issues bulleted to the left. Each section opens with a case study that brings the critical issue to life through a short story. Then, the body provides more detail on the work Timberland is doing in this area. We conclude with a collection of outside voices—our Voices of Challenge—weighing in on the subject matter to provide context and perspective. It is our hope that these three issues create general motifs that flow throughout the report.

Finally, if you still want more information, some of the sections include a link we've provided to a "Make it better" brief on the subject. There you'll find a deep dive into our past, present and future work, as well as best practices from the industry. We hope it provides you with a complete picture of how we are dealing with what we feel are the most important issues facing our industry.

SUMMARY OF CSR INDICATORS

For the past two years, Timberland has published a set of Key Performance Indicators (KPIs) at the beginning of each CSR report. While this list has included important metrics, we believe they were an inadequate gauge for overall CSR success. Currently, Timberland is developing a robust “dashboard” of metrics that will give a better demonstration of our overall progress on global human rights, environmental stewardship and community involvement. Until we land on an official KPI list, we commit to including a summary of important indicators in our CSR report.

INDICATOR	EXPLANATION	2004	2005	2006	2007 TARGET
GLOBAL HUMAN RIGHTS					
Coverage	Percent of Factories Assessed	94%	94%	99%	100%
Designation	Percent of “High Priority” Factories	DNT	54%	50%	45%
	Percent of “Partner” Factories	DNT	25%	29%	30%
Immediate Actions¹	Frequency of Working Hour Violations in Continued Factory Partners	DNT	50%	39%	30%
	Frequency of Ethics Violations in Continued Factory Partners	DNT	18%	12%	10%
	Frequency of Wages Violations in Continued Factory Partners	DNT	17%	16%	12%
Score Improvements	Percent of Continued Factory Partners with Improved Score	DNT	DNT	55%	60%
ENVIRONMENTAL STEWARDSHIP					
Chemicals	Millions of Footwear Pairs using Water-Based Adhesives in Stockfitting	7.0	8.4	8.4	12.2
	Millions of Footwear Pairs using Water-Based Adhesives in Assembly	1.4	3.4	4.6	5.8
Energy	Total Metric Tons of Carbon Emissions	25,084	26,854	29,071	NT ²
	Percent of Energy Purchased from a Renewable Source	4.3%	6%	6.6%	8%
Resources	Organic Cotton as a Percent of Total Cotton Purchases	2.1%	2.1%	5.7%	6.5%
Systems	Environmental Assessment Score for Tanneries	DNT	DNT	2.53	3
	Environmental Assessment Score for Footwear	DNT	DNT	2.12	3
COMMUNITY INVOLVEMENT					
Path of Service™	Benefit Utilization Rate (BUR): Percentage of employees that use at least one hour of service	69.7%	68%	71%	75%
	Hours Utilization Rate (HUR): The percentage of hours used for service compared to hours available	28.8%	31.1%	39%	46%
	Hours Employees Spent Serving in the Community	55,008	65,139	80,632	98,000
Charitable Giving	Charitable Giving as a Percent of Previous Year's Operating Income	2.10%	1.60%	1.68%	NT
Service Impact	Number of Trees Planted	DNT	DNT	DNT	50,000

DNT = Did Not Track

NT = No Target

¹ The 2005 metrics for frequency of Immediate Actions is reflective of all factories, not continued business partners only.

² We will release a climate change strategy document with targets in Fall 2007.