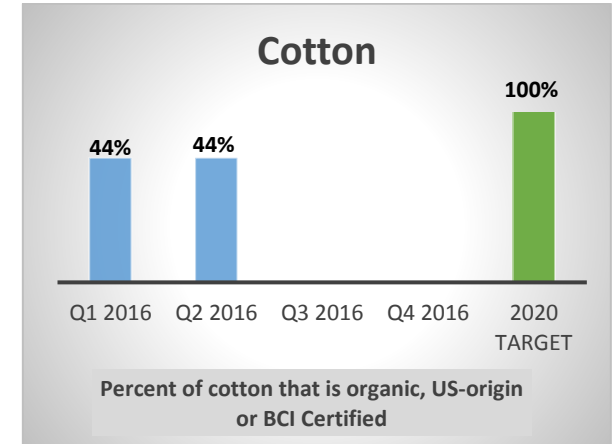
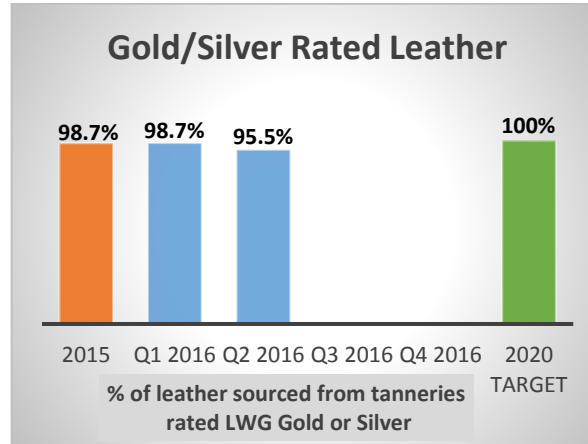
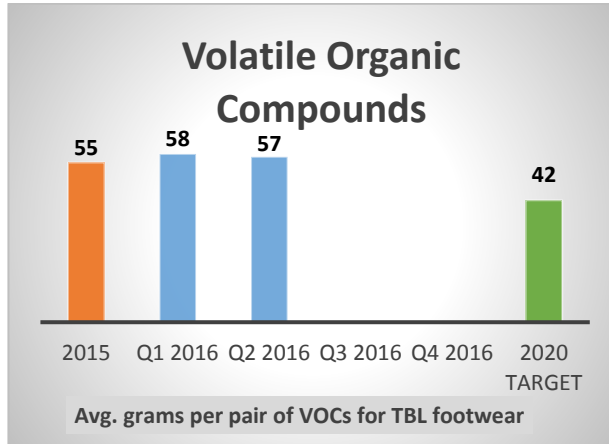


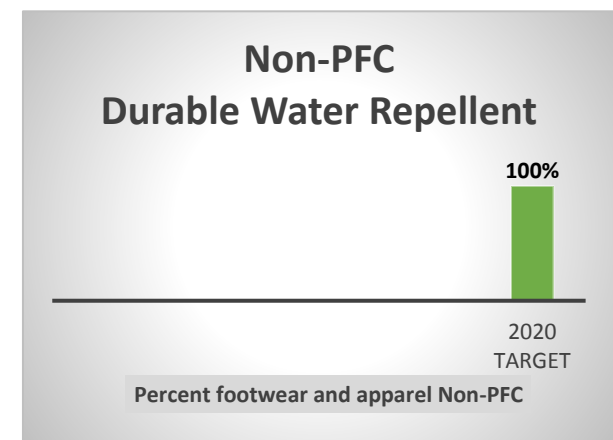
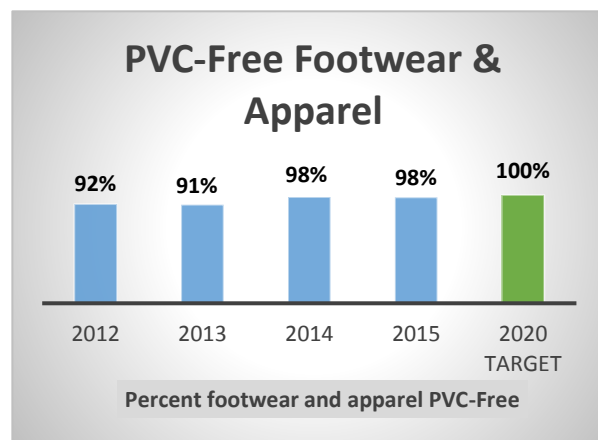
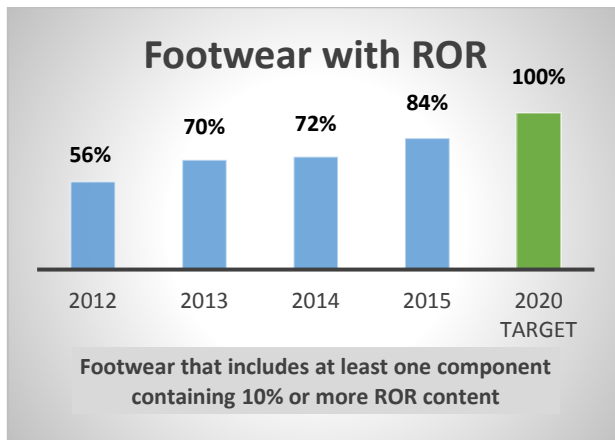


# PRODUCT – Materials

## Quarterly Reported Metrics – Q2 2016 Results



## Annually Reported Metrics – 2015 Results



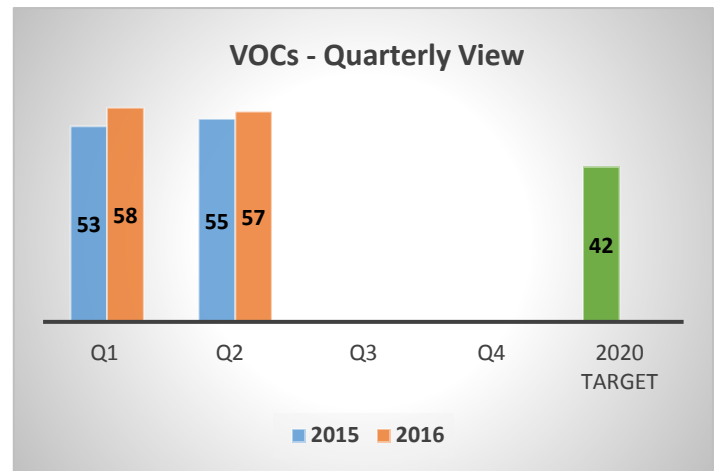
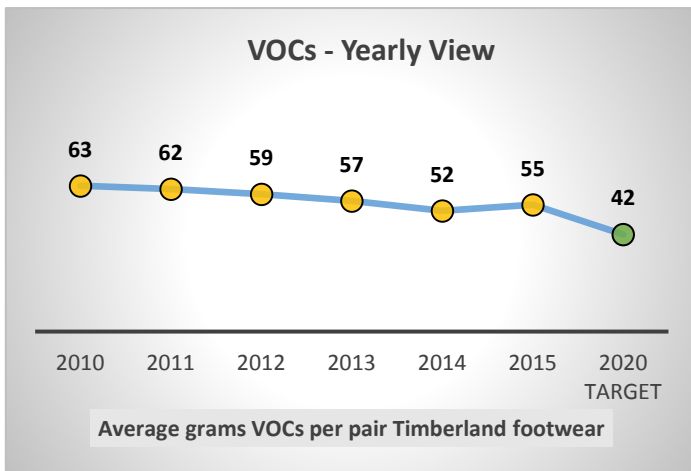
ROR = Recycled, Organic & Renewable material

New metric for 2016

For further details, analysis, and historic data, refer to respective appendices.

## VOLATILE ORGANIC COMPOUNDS

Timberland is committed to using adhesives in our stockfit and assembly shoe manufacturing process that cause less harm to the environment. Traditionally, footwear manufacturers will use solvent based chemicals for gluing, cleaning or painting shoe components. Solvent-based adhesives release volatile organic compounds ("VOCs"), which can create human and environmental health hazards. VOCs are chemical compounds that evaporate easily in normal conditions. Measuring grams of VOCs allows Timberland to account for the overall quantity of VOCs used in the production of our footwear. Disclosing chemical consumption in this manner also allows us to target specific, high VOC-content materials for reduction, substitution or elimination, thereby promoting lower environmental impact and improved working conditions in factories. To facilitate ongoing reduction efforts, engineering reviews are conducted to promote the use of water-based adhesive in the construction and manufacturing of product, while also maintaining the quality and physical integrity of the shoe.

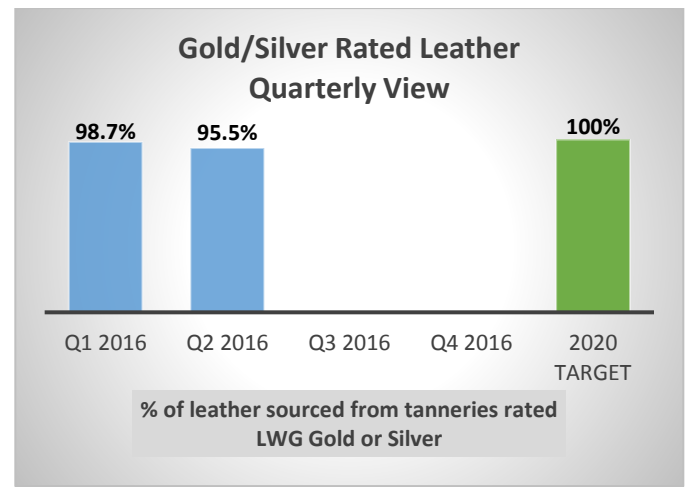
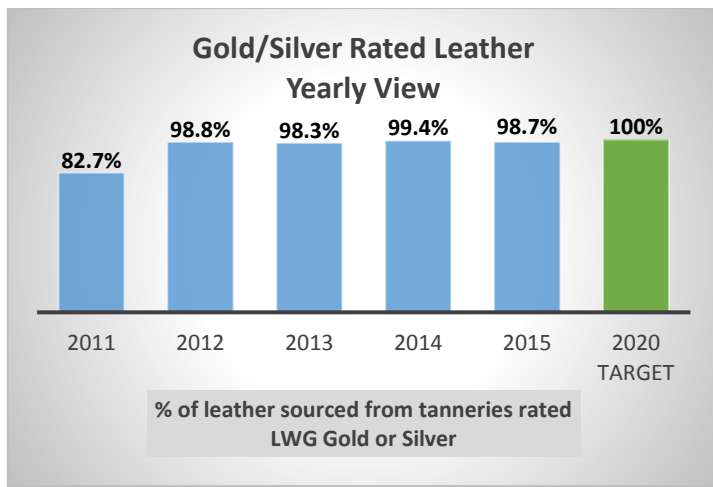


**Q2 2016 Result:** Our average use of VOCs per pair was 57 grams during Q2. This increase over Q2 2015 can be attributed to higher production at facilities making styles that are more VOC intensive, as well as new factories coming online that have not yet participated in VOC reduction initiatives. While definite progress has been made over the years, there is still work to be done with our suppliers to further improve their chemical management practices as well as identifying alternatives for using lower VOC adhesion methods that maintain the necessary performance attributes for our product lines. We remain committed to our goal of averaging 42 grams of VOCs per pair.

## LEATHER – GOLD/SILVER RATED TANNERIES

Leather processing is a chemical, water, and energy intensive process. To ensure the leather we purchase is processed using environmental best practices, all of our footwear leather suppliers undergo an environmental audit under protocols established by the cross-brand [Leather Working Group \("LWG"\)](#). LWG certification is awarded to tanneries that demonstrate environmental best practices and performance in all areas of leather production, from chemical and water management to energy use and greenhouse gas emissions, to waste management and hide traceability. Tanneries are scored on a scale of Failure, Compliant, Bronze, Silver, or Gold. In 2008, Timberland made a public commitment to only source leather for our footwear products from tanneries that have an LWG rating of Silver or Gold. In 2015, we expanded this commitment to include the leather we source for our apparel products and accessories.

*\*\*continued next page\*\**

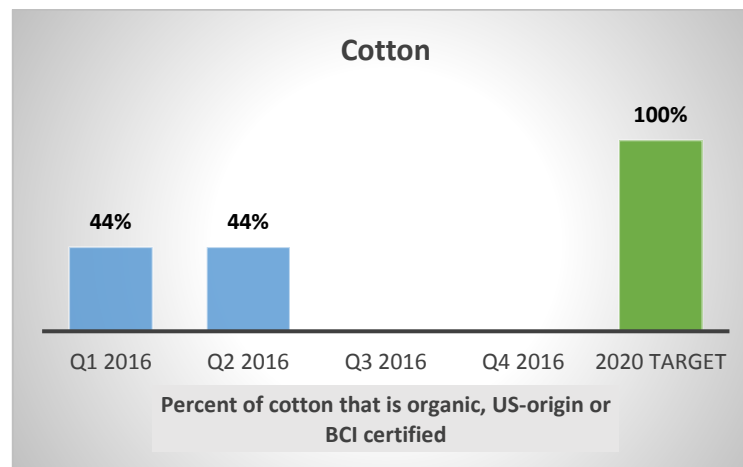


**Q2 2016 Result:** At the end of Q2, 95.5% of our overall leather volume for Timberland footwear, apparel and accessories\* was produced at tanneries that have a Gold or Silver LWG rating. This decrease can be attributed to two things: In Q2 we had a higher volume of leather apparel produced when compared to Q1, and the majority of leather used was goat and lamb, neither of which came from LWG audited tanneries, and, three of our footwear tanneries had temporary LWG certification lapses. With corrective actions in place and audits rescheduled, we expect these tanneries to have their Silver/Gold certification re-instated during Q3. That being said, the small volume of leather overall that is not from Gold or Silver-rated tanneries continues to demonstrate our commitment to limit production at non-certified tanneries.

*\*We do not currently have data for our licensed accessories, and will update this metric when information is available. Current data only includes accessories that we source directly from our factories.*

## COTTON

Chemicals used to grow cotton can be detrimental to the health of farmers, and seep into run-off water poisoning lakes, rivers and waterways. Conventionally grown cotton uses more insecticides and requires significantly more water to be used than organically grown cotton. As such, Timberland has had a longstanding goal of increasing our use of organic cotton year over year. Organic cotton remains our preference; however, when organic cotton is not feasible, we commit to eliminating the use of conventionally grown cotton. Our new 2020 target is for 100% of the cotton used in our apparel products to be from sources utilizing industry-leading environmental best practices. We define such sources as being organic, US-origin or [Better Cotton Initiative](#) ("BCI") certified sources.



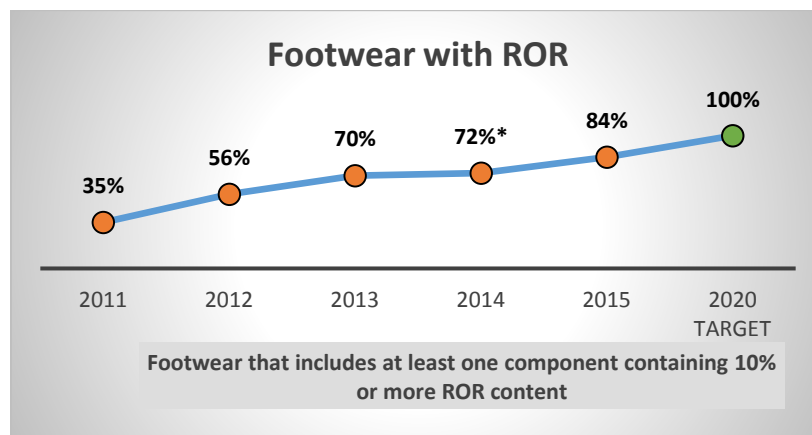
\*\*continued next page\*\*

**Q2 2016 Result:** In Q2, 44% of the cotton used in Timberland apparel was either organic, US-origin or BCI sourced, consistent with our Q1 result. With a seasonal product mix, resulting in different materials being used from season to season, it is encouraging to see that our use of responsibly-sourced cotton remained consistent despite the changes in materials needed. Projected forecasts for the remainder of the year indicate further replacement of conventionally grown cotton.

## FOOTWEAR WITH RECYCLED, ORGANIC OR RENEWABLE MATERIALS

Since 2008, Timberland has had product development strategies for increasing the use of recycled, organic, and renewable ("ROR") materials throughout our product lines and set yearly targets to increase the use of these environmentally-preferred materials year over year. Renewable material is defined by Timberland as coming from a fast-growing, plant-based material that makes efficient use of non-renewable resources – examples of this would be hemp and bamboo. Our largest use of ROR in footwear is with recycled polyester ("PET") and recycled rubber.

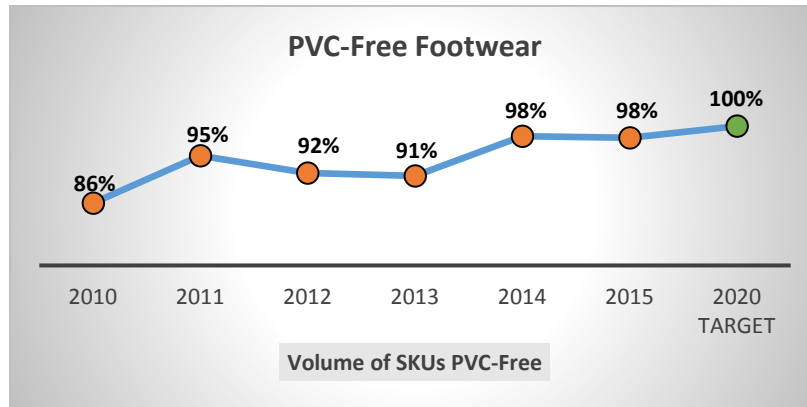
The chart below reflects the percent of Timberland footwear that are constructed with at least one component made from organic, renewable or recycled materials (with a minimum threshold of 10% recycled content within a component). We are pleased with our progress over the years to increase our use of recycled, organic and renewable materials. While some challenges currently exist in utilizing ROR materials over conventional materials, we are confident that by 2020 every Timberland boot, shoe and sandal will incorporate ROR materials.



**2015 Result:** ROR materials were utilized in 83.9% of all Timberland footwear shipped, which is a significant increase over our 2014 result (71.8%). This increase can be partly attributed to a change in Timberland's software systems used to track ROR content in our footwear production. In 2015, we incorporated 1 million pounds of recycled PET into our footwear – the equivalent of 47 million plastic water bottles. Since 2009, we have incorporated the equivalent of 233 million plastic water bottles. Our use of recycled rubber increased as well, using 379 metric tons in 2015. Since 2008, we have incorporated 1,407 metric tons of recycled rubber.

## PVC-FREE FOOTWEAR

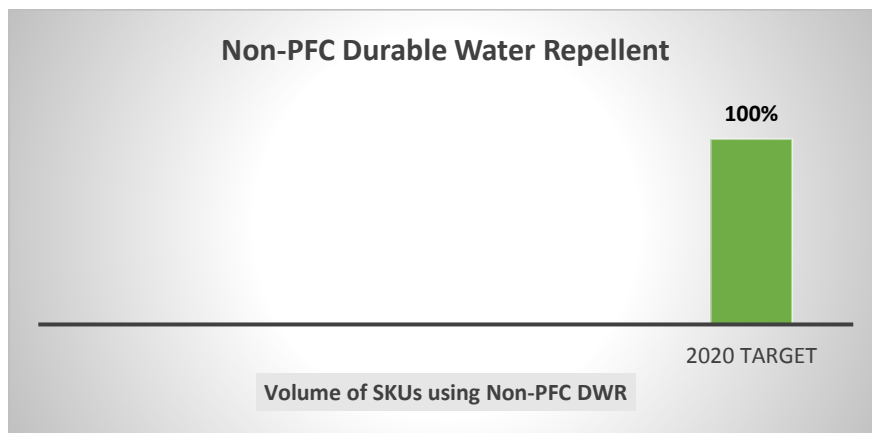
Polyvinyl chloride (PVC) is a polymer used in a wide variety of applications such as construction, plumbing, and cable insulation, and it is also used in the footwear industry. Unfortunately, the use of PVC has some negative aspects associated with its creation and its end life. Given the human and environmental risks associated with the creation and disposal of PVC, Timberland is committed to phasing out the use of PVC in its products. We are committed to finding and utilizing PVC alternatives where feasible in order to decrease our use. Our goal is to be 100% PVC-free.



**2015 Result:** Overall, 2.1% of total pairs shipped in 2015 contained PVC, vs. 1.8% in 2014. Though we stayed relatively flat compared to last year, we continue working on PVC-Free material substitution in our PRO line, and to review materials and manufacturing equipment updates to allow for further PVC reduction to occur.

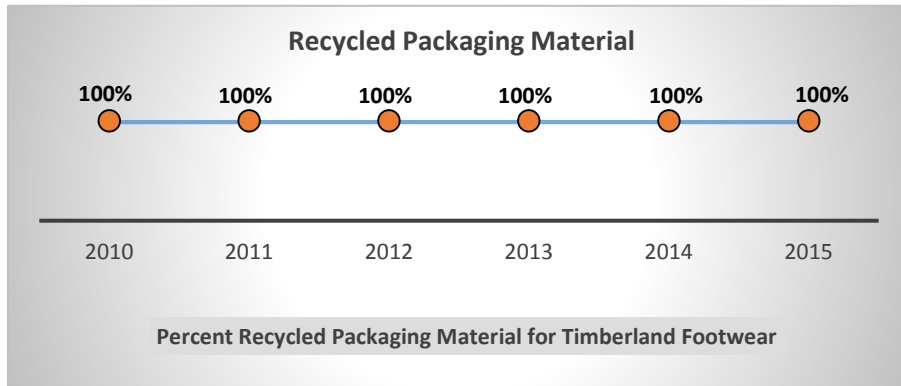
## NON-PFC DURABLE WATER REPELLENT

Timberland products are built to protect our consumers from the elements of nature, and waterproofing is of prime importance to outdoor enthusiasts. Durable Water Repellent (“DWR”) is a coating added to fabrics at the factory to make them water-resistant. PFCs (per-fluorinated compounds) are a class of chemical substances found in many DWRs that are potentially hazardous to humans – at the factory level where the waterproofing is applied, as well as to the end user. Timberland is committed to the elimination of all PFCs in our waterproof footwear and apparel. Our end goal is for 100% of our DWRs to be non-PFC. This is a new metric for 2016.



## RECYCLED PACKAGING

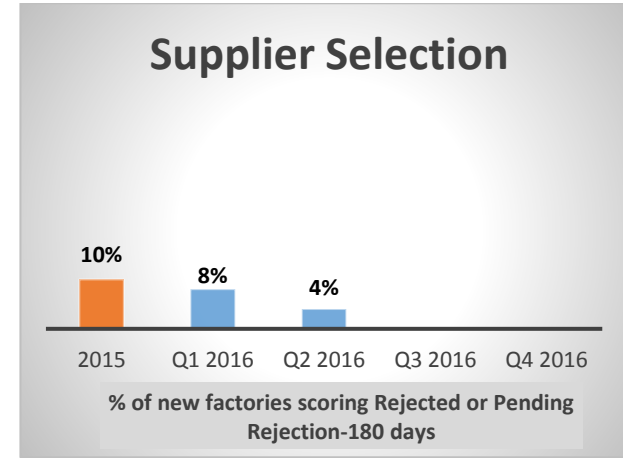
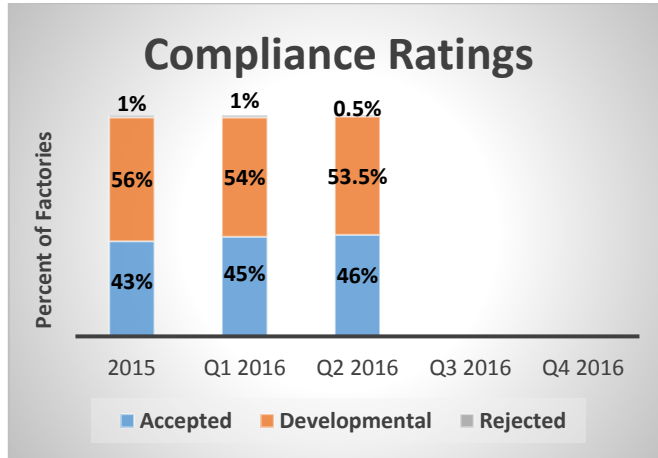
Since 2007, Timberland has been committed to providing responsible packaging for our footwear - beginning first with boxes made from 100% recycled materials (at least 80% post-consumer) using soy-based and sesame-based inks. Starting in 2012 we began using water-based inks.



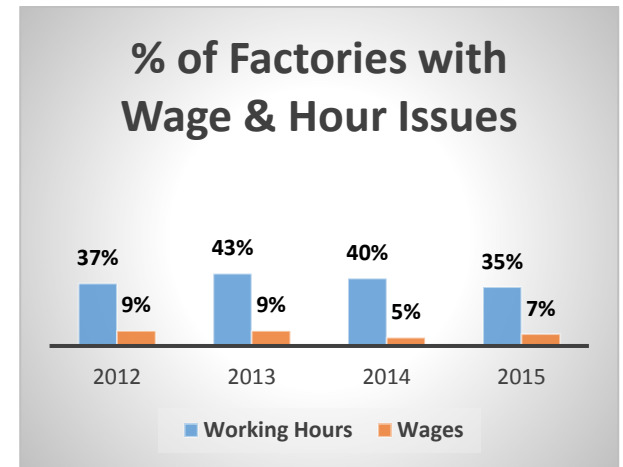
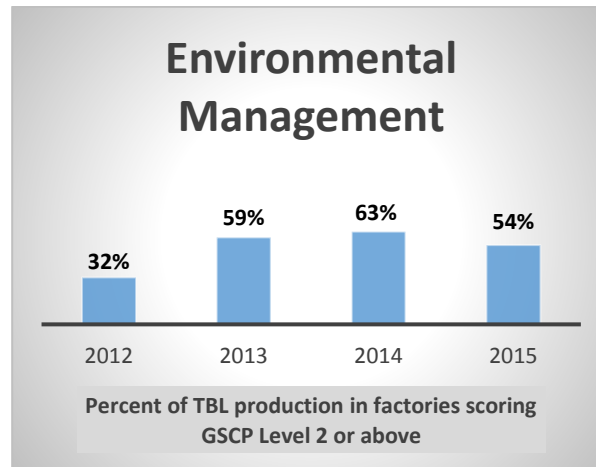
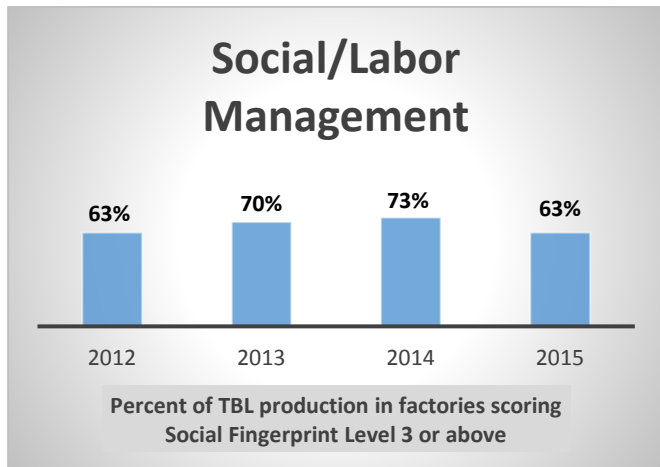


# PRODUCT – Manufacturing

## Quarterly Reported Metrics – Q2 2016 Results



## Annually Reported Metrics – 2015 Results



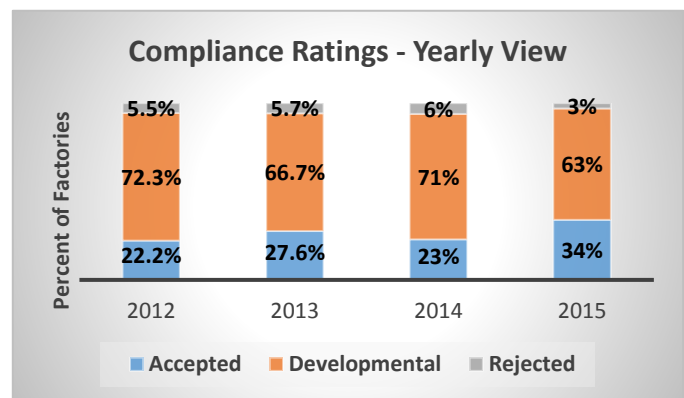
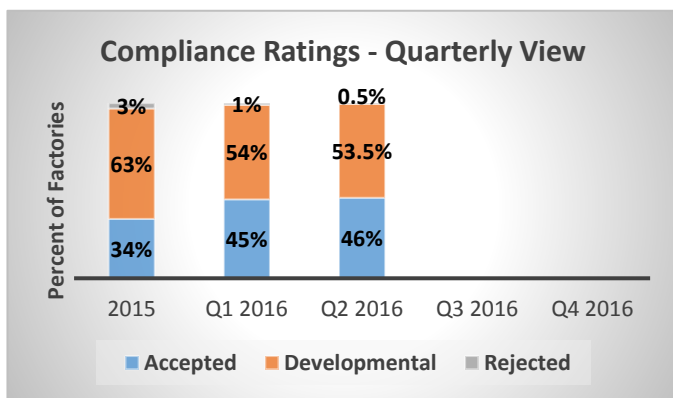
For further details, analysis, and historic data, refer to respective appendices

## FACTORY CONDITIONS – COMPLIANCE RATINGS

Timberland’s longstanding commitment to ensuring fair, safe and non-discriminatory workplaces for the 250,000+ workers making Timberland product around the world dates back to 1994, with the establishment of our Code of Conduct for suppliers. After being acquired by VF Corporation ("VF") in 2011, our Code of Conduct was replaced by VF's Terms of Engagement and Global Compliance Principles. VF’s policy is to monitor every facility that is involved in the manufacture of VF-branded product. This includes all cutting facilities, sewing plants, screen printers, embroiderers, laundries, and packaging locations. At the end of each VF audit, the factory receives one of the following ratings:

- **Accepted** – factory has no serious safety, health, or labor issues and is certified to produce VF products for 18 months, at which time a re-audit is necessary to maintain an 'Accepted' rating.
- **Developmental** – factory has some minor safety, health, or labor issues. The factory is authorized to produce for VF while the issues identified are corrected in a timely manner and a follow-up audit is scheduled within 6 – 9 months. If the problems are corrected as required, then the status of the factory will be elevated to 'Accepted.' If not, the factory is downgraded to '**Pending Rejection-180 days**' ('PR-180 days'), at which time they have a final 6 months to satisfactorily resolve the outstanding issues or be downgraded to '**Rejected**'.
- **Rejected** – factory has major safety, health or labor issues. Examples would include excessive working hours, incorrect overtime compensation or locked emergency exits. In this situation the factory is not authorized to produce VF products. If a factory is Rejected twice consecutively, they are banned from producing for VF for 12 months.

For more detailed information, please see [VF's audit policy](#).



**Q2 2016 Result:** At the end of Q2 2016, there were 357 factories\* actively producing for Timberland. Forty six percent (46%) were rated Accepted, 53.5% were rated Developmental, and .5% were rated Rejected. During Q2, VF Compliance conducted 83 audits of Timberland factories. Of these 83 factories, 24 were rated Accepted, 50 were rated Developmental, and 9 were rated Pending Rejection. The factories rated Pending Rejection are working on their corrective action plans and will be re-audited within 6 months. *\*Factories producing for Timberland include our owned and operated facilities as well as our contracted facilities.*

Timberland believes, along with others in our industry, that factory disclosure and collaboration can create common standards and shared solutions – helping to advance global human rights in all of our factories. For this reason, we disclose our factories on a quarterly basis. See the most recent factory list [here](#). Although our supply chain sources may change from time to time, our quarterly factory disclosure represents our best attempt to disclose all of Timberland's active factories as of that date.

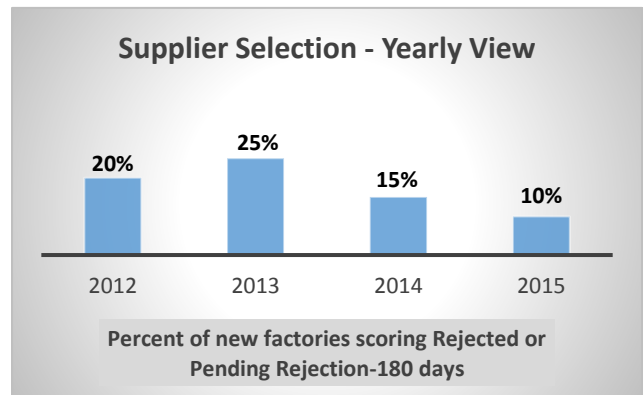
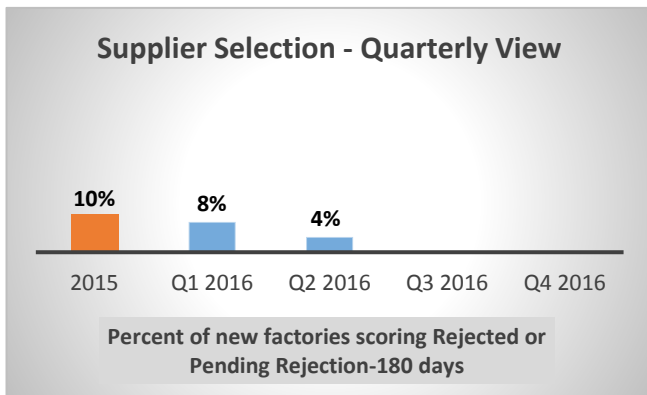
**Full Year 2015 Result:** Overall in 2015, 364 audits were conducted by VF Compliance at 326 Timberland factories. The graph above shows the results of the audits physically conducted in 2015 - this does not represent our overall supply chain ratings because the data does not include the 115 factories that were not audited but approved to produce in 2015. Examples of why audits were not conducted would be factories that were covered by a 2014 audit and dropped in 2015 prior to their audit due date, or factories that are on an 18 month audit frequency.

Timberland sourced from a total of 435 factories in 2015. When looking at all factories that produced in 2015, including those not audited in 2015, and those dropped midyear, our overall supply chain risk can be summarized as follows: 38% were Accepted, 60% were Developmental, and 2% were Rejected (orders with Rejected factories were withheld until corrective actions were implemented or production was relocated).



## FACTORY CONDITIONS - SUPPLIER SELECTION

As Timberland's sourcing managers consider new factories, social compliance performance is an important aspect of their vendor selection pre-screening process. Such pre-screening is accomplished by having factories provide evidence of their social compliance performance by way of recent audits by other brands, external monitoring firms, or social certificates, such as WRAP or SA8000. To facilitate discussions internally with our sourcing teams in regards to their commitment to select social/labor compliant factories, we track the number of new factories that receive Rejected or Pending Rejection-180 Days ratings on their initial VF Compliance Audit.

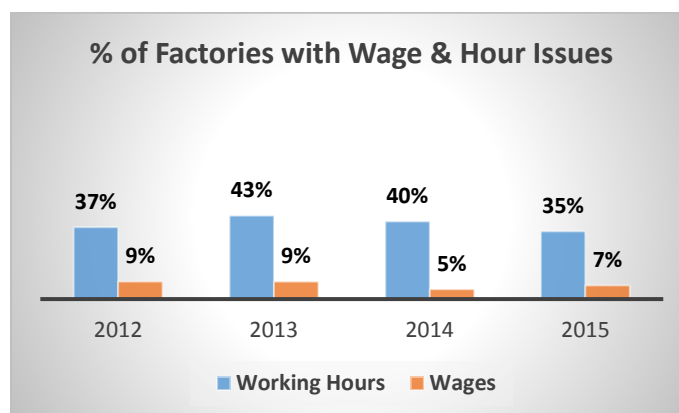


**Q2 2016 Result:** During Q2, 24 new factories were selected to produce for Timberland. Of these 24 factories, 6 (25%) were rated Accepted, 17 (71%) were rated Developmental, and 1 (4%) was rated Pending Rejection. The factory rated Pending Rejection is working on its corrective action plan and will be re-audited in 6 months.

**Full Year 2015 Result:** Of the 105 new factories selected in 2015, 31 (30%) were rated Accepted, 63 (60%) were rated Developmental, and 11 (10%) were rated either Pending Rejection-180 days or Rejected. Timberland's business units did not pursue 10 of these 11 factories. The remaining factory (audited in Q4) is working on corrective actions in order to be re-audited in early 2016.

## HIGH RISK ISSUES

**2015 Result:** In the 364 audits conducted by VF Compliance in 2015, working hours continues to be the most prevalent issue observed – found in 35% of our factories. That said, there was a 13% reduction of this non-compliance over 2014 audits (40% in 2014 vs. 35% in 2015). The second most commonly observed issue is related to proper wage and benefits. There was a slight increase in minimum wage issues over 2014 (7% in 2015 vs. 5% in 2014), mainly due to increases in the minimum wage of some countries and factories not revising their wages. These suppliers are required to show demonstrated improvement upon re-audit in order to remain a VF-approved vendor. For a full list of all topics included in the VF Compliance audits, please see [VF's audit policy](#).

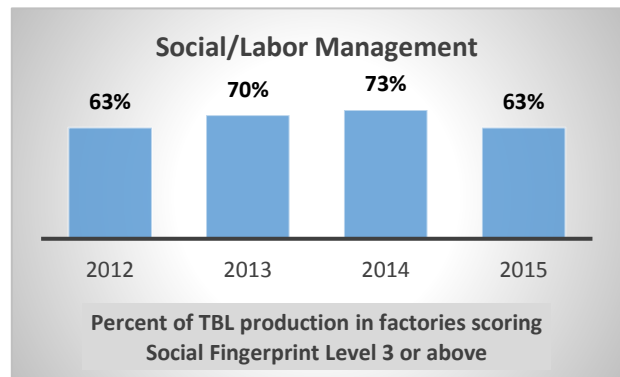
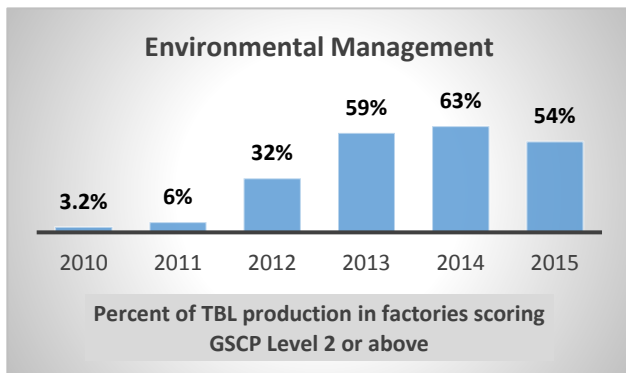


## ENVIRONMENTAL & SOCIAL/LABOR MANAGEMENT SYSTEMS

Starting in 2010, Timberland adopted the environmental framework and scoring methodology of the [Global Social Compliance Program \(GSCP\)](#). GSCP measures how proactive a factory is with regard to reducing each of its environmental impact areas. Timberland's target of Level 2 means that factories have well-established environmental management systems and targets to reduce environmental impacts. Our goal is to achieve environmental performance improvements in our supply chain and reduce environmental hazards for the local community and worker population.

Starting in 2012, Timberland adopted the framework and scoring methodology of [Social Accountability International \("SAI"\)'s Social Fingerprint® program](#). Social Fingerprint® is an assessment tool designed to help companies measure and improve social performance of supply chain vendors. The framework focuses on management systems development and implementation in 9 categories that SAI deems instrumental in developing a solid and effective social/labor management system. Within each category, a factory is ranked from Level 1 to Level 5 (Level 5 = leading practice). Our target was set at Level 3, which indicates factories have an effective social/labor management system integrated into their operations.

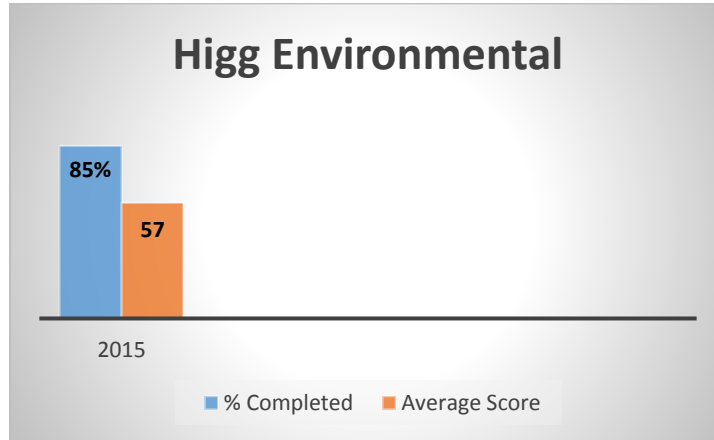
**Note to stakeholders:** Social Fingerprint® and GSCP scores are derived from factories' self-reported data to Timberland's [Supplier Sustainability Team](#) (SST). The self-reported data was validated by the SST when onsite providing remediation and capacity building assistance. Data reported here only includes scores that have been validated by the SST, and reflects percent of Timberland production from active Tier 1 factories from all Timberland business units at the end of the reporting period based on business units' forecasted annual production.



**2015 Result:** At the end of 2015, 22 Tier 1 factories representing 54% of Timberland's global annual footwear and apparel production had scored GSCP Level 2 or higher in all applicable categories; and 31 Tier 1 factories representing 63% of Timberland's annual global footwear and apparel production had scored Level 3 or better on SAI's Social Fingerprint. The work of the SST to guide factories on effective social and environmental management systems has been transitioned to our parent company's (VF Corporation's) Sustainable Operations Team, which leverages the [Sustainable Apparel Coalition's Higg Index](#) as a broader means of assessing the social and environmental impacts of our products and supply chain. The Higg Index is a suite of self-assessment tools designed to empower brands, retailers, and facilities of all sizes, at every stage of their sustainability journey, to measure their environmental and social and labor impacts and identify areas for improvement.

## HIGG FACILITY ENVIRONMENTAL MODULE

In 2015, VF's Sustainable Operations Team introduced our largest manufacturers to the Higg Facility Environmental Module. The first step is for the factory to complete an online self-assessment, answering questions on 7 different components: Environmental Management Systems, Energy Use and Greenhouse Gas Emissions, Water Use, Wastewater/Effluent, Emissions to Air, Waste Management, and Chemical Use and Management. Factories receive a score of 1 to 100. The next step is to have the VF Sustainable Operations Team (or other SAC-approved verifier) verify the factories' scores, by either on-site or off-site evaluation. Scores are anonymized and aggregated, allowing facilities to benchmark their results against the industry. See below for 2015 results of Timberland factories that have participated thus far. Going forward we will report these results annually with Q1 reporting.



The Higg Facility Social and Labor Module is still in the Beta testing phase. Once completed, we will roll out to our largest manufacturers.

This is our baseline year for the Higg Facility Environmental Module implementation, and we have not yet set targets. We will report on updates as they become available.