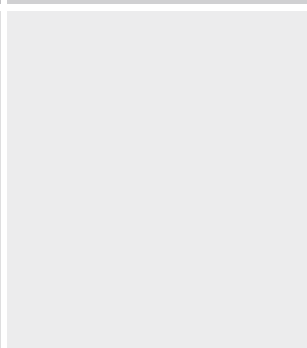
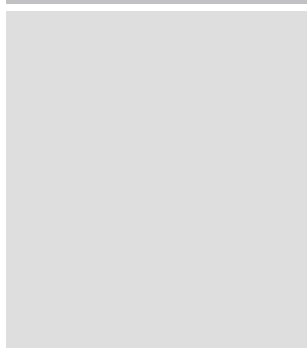
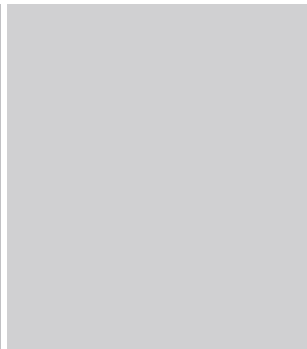
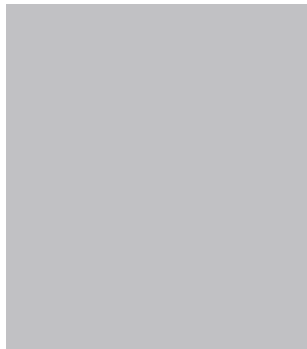


2007-2008
REPORT CARD
SUMMARY



WELCOME FROM THE CEO AND PRESIDENT

THANK YOU

...for showing an interest in our first KEEN Report Card.

Just over 5 years ago, KEEN began with a moment of pure vision combined with a simple design challenge. Can a sandal protect toes? The answer was yes and the Newport Sandal was born.

From that specific starting point, KEEN has exceeded expectations in many areas. Specifically we have built an enduring brand and a successful business that is obsessed with redefining the outdoors through relentless innovation of footwear, bags, and socks.

At KEEN, we believe in encouraging everyone to create, play, and care...for us it's a way of life, we call it Hybridlife. However, living the Hybridlife also comes with very real sense of responsibility, reliability, and transparency. Internally, we have challenged ourselves to consider each choice we make, because once you re-think your options and when we take that first step, all sorts of new possibilities appear. This is the essence of Hybrid.Think.

This way of thinking has allowed us to push the envelope of corporate social responsibility around three key areas: Environment, Community and Growth. Specific actions include: sustainable product development, strategic sourcing options, impactful community outreach, and a progressive work environment. We are proud of our progress-to-date, but we also realize that our successes today will yield challenges for the future.

The best way for us to address these challenges moving forward is to have a clear understanding of where we are today. Therefore, we have made the confident decision to issue our first KEEN Report Card that is centered on corporate social responsibility, to include goals in the following three areas:

ENVIRONMENT:

- REDUCE: We will reduce our overall environmental footprint across a number of areas.
- ENGAGE: We will engage with various like-minded organizations on a local and global level.

COMMUNITY:

- RESPECT: We will promote fair, safe, and healthy work environments related to KEEN.

GROWTH:

- BUILD: We will continue to build a Brand that will endure and a Business that is successful.

In our efforts to convert these goals into an action plan, we needed to build a basic framework to take into consideration the relevant information and the key metrics. The Global Reporting Initiative (GRI) provided us with an effective framework to guide us through this project in an efficient and effective way (thanks!).

If the past 5 years are an indicator of our future intentions, then we are off to a good start. However, we remain humble in our quest for continuous improvement. Therefore, we invite you to provide any comments, challenges, or conclusions on our report card. You can contact us at: keenreportcard@keenfootwear.com.

From our side, we will continue to create, play and care... it's a way of life, we call it Hybridlife!

Thank you,

James Curleigh



Hybrid.think™

CONSIDER EACH CHOICE

It isn't long before you see that every choice can become a considered one, and they add up to something bigger. They add up to constant innovation and to the reinvention of a world where you think twice about the choices we have for creating lasting change. That's Hybrid.Think.

From small to big, the choices are all around us. This means taking innovative approaches to product development, materials sourcing, and product distribution, which is the responsibility of being a growing business. These ideals and resulting actions are reflected in our products, our employees, and our customers.

By measuring the challenges and overall developments in our products, we reconsider the choices we make as a company. By calling on independent organizations to monitor our work and production environments, we continually reevaluate the methods we use to be a transparent company.



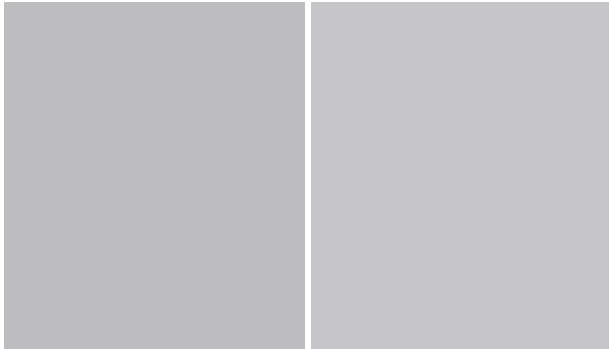
KEEN is more than an outdoor company. We strive to be a company with a conscience, by making a positive difference, giving back to the greater community and caring for the environment which we all share and depend on. We also believe in the power of a brand to inspire others to create positive change in the world we live in. This belief reflects the foundation of Hybrid.Care.

Inspired by the effects of the Tsunami disaster in 2004, we have dedicated both time and financial resources to social and environmental organizations actively working towards the greater good. We honor our employees' commitment to volunteerism, support our local community and have adopted an industry-recognized Corporate Social Responsibility program.

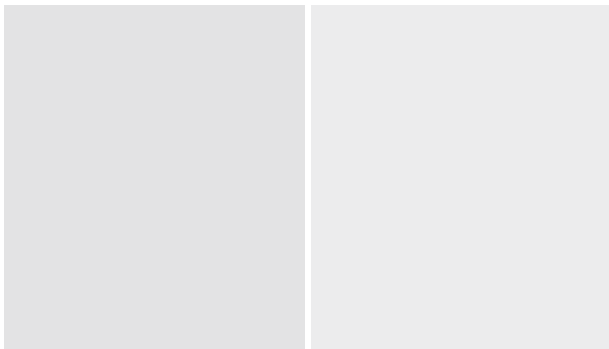
We are a company guided by our values, committed to making conscientious decisions that benefit the world we live in and which sustain the community around us.

Hybrid.Care: One: Community. Environment. Conscience.

ABOUT KEEN



NEWPORT



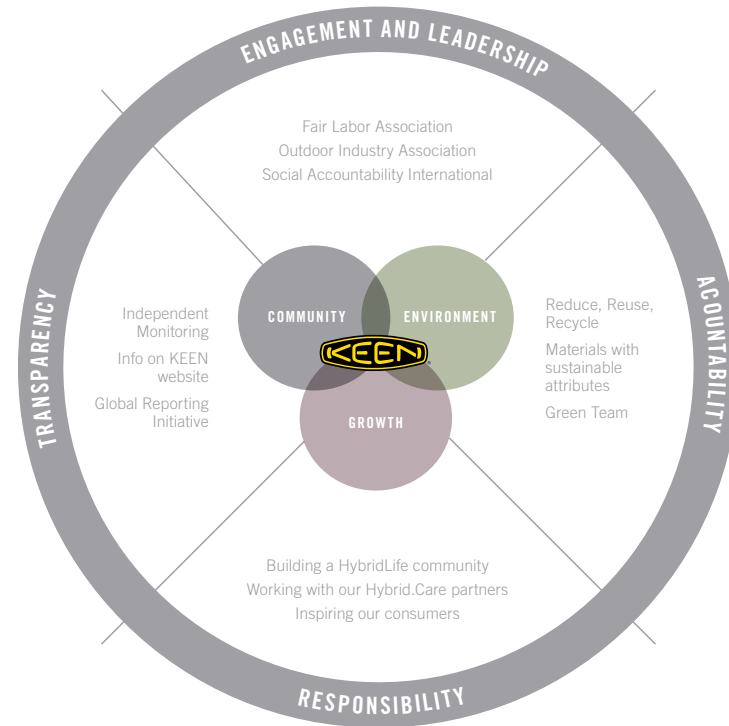
OUR APPROACH TO TRANSPARENCY AND ACCOUNTABILITY

KEEN is committed to delivering on our vision through our day-to-day actions. Our corporate social responsibility (CSR) commitment provides our consumers, civil society and our employees transparency, and helps us remain accountable for ensuring openness in our business practices.

ABOUT THE REPORT CARD

The purpose of the KEEN Report Card is to provide information and supporting metrics on the challenges, successes and disappointments we are experiencing during the journey toward social and environmental best practices. The report allows us to engage with interested community members, helping us to link our vision and brand values with our day-to-day actions. The report also guides our ongoing efforts in setting goals and measuring progress.

The KEEN Report Card complies with the guidelines of the [Global Reporting Initiative \(GRI\)](#), whose sustainability reporting framework is emerging as the global standard. GRI sets out the principles and indicators by which companies are to measure and report their economic, environmental, and social performance.



REPORT CARD REVIEW COMMITTEE

COMMITTEE OVERVIEW

As part of our commitment to the Global Reporting Initiative, we formed an independent Report Card Review Committee to advise us in the development of this report. The Committee was comprised of five volunteer experts, including: a non-profit organization officer, university professor, supplier, third-party logistics provider and a KEEN employee.

JOHN STERLING *The Conservation Alliance*

MICHAEL RUSSO *University of Oregon*

THOMAS SCHNEIDER *ISA Tan Tec*

JIMMY TING *Great World Express and Customs Service*

STACEY EDDY *KEEN Employee*

REMARKS FROM THE COMMITTEE

As a committee, the undersigned were charged with reviewing the KEEN Report Card to provide commentary and critical input on the content of the report relative to the stated aim. We have accomplished these tasks through a series of discussions and meetings. Upon reviewing the report, we believe that KEEN has made a commitment to measure and evaluate the company's overall social and environmental impacts. We are hopeful that in future years KEEN will decrease those impacts on the communities and environments in which the company operates.

This is KEEN's first voluntary self-assessment of the social and environmental impacts of the company's global supply chain. We are confident that KEEN will use this assessment to better inform future CSR and overall business planning and goals. KEEN's major challenges will be to improve environmental performance as it relates to the material supply chain as well as identify and reduce greenhouse gas emissions related to producing and distributing the company's products. We also recommended further clarification of the data in the report's tables and charts. Finally, we suggested that KEEN establish more concrete and measurable goals and timelines for meeting those goals.



MEASURING OUR SUCCESSES AND CHALLENGES

DESIGNING, MAKING AND DELIVERING OUR PRODUCTS

Is it possible for KEEN and the products we offer to be “green”? What is “green”? The KEEN vision of delivering industry-changing products while demonstrating leadership on sustainability issues presents certain challenges and opportunities. Green can sometimes be grey. Our current options present complex choices, but our long-term goal is clear: KEEN, along with the rest of society, needs to embrace and move toward a model of product stewardship where materials circulate in closed loop cycles.

Such lofty ideals are often elusive, but we’ve established several short term goals as guideposts on this journey. These goals will give us a better understanding of our environmental footprint – the resources used to produce and deliver our products to the end consumer. This will give us a map for the uncertain terrain ahead as we seek to minimize our impact.

To meet our high-level strategy of reducing our environmental footprint, we’ve identified four key initiatives:

1 REDUCE AND MITIGATE WASTE

2 MONITOR AND REDUCE OUR GREENHOUSE GAS EMISSIONS (GHG)

3 INTEGRATE MORE MATERIALS WITH SUSTAINABLE ATTRIBUTES INTO THE PRODUCT LINE

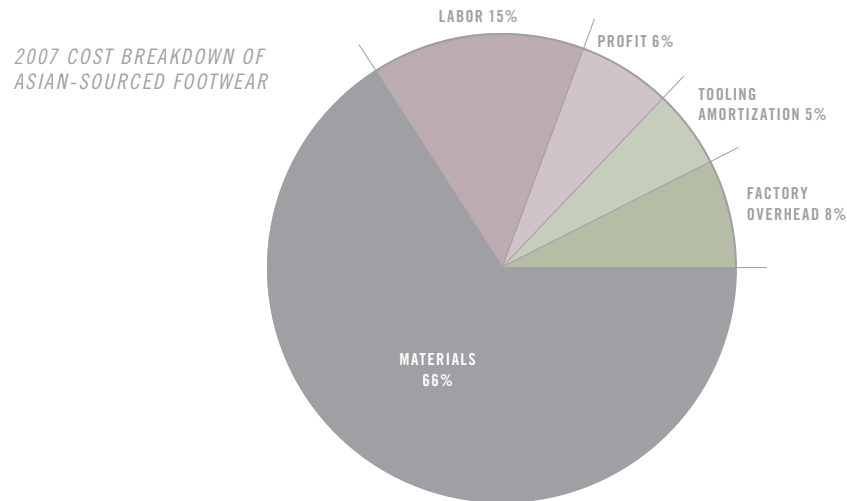
4 ENVIRONMENTALLY OPTIMIZE OUR TRANSPORTATION OF PRODUCTS



The art in creating products that stay true to our vision lies in making choices that meet our standards for creating products with compelling design, durable construction and functional use, all at a price our customers deem fair and competitive.

PRODUCT RESPONSIBILITY AND THE ENVIRONMENT

Our strategy of a reduced environmental footprint requires clear thinking when designing and planning our product line. Materials (66 percent) represent the bulk of our costs and we believe it represents the single largest area of opportunity for improved environmental efficiencies. There are an overwhelming number of opportunities for interesting, attractive and potentially environmentally progressive materials or processes, yet validating the ones that truly reduce our footprint can be challenging and sometimes confusing. On average, we have found that environmentally progressive materials are 20-30 percent more expensive than the conventional materials used in footwear. The art in creating products that stay true to our vision lies in making choices that meet our standards for creating products with compelling design, durable construction and functional use, all at a price our customers deem fair and competitive.



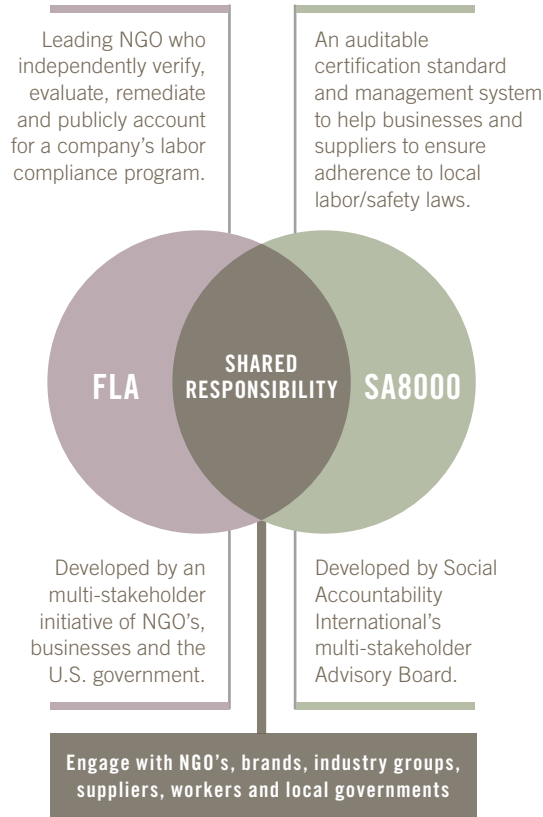
GOING FORWARD

In 2008, we will outline a number of concrete goals going forward, but the broader issue of creating compelling yet durable products with a reduced environmental footprint is only as successful as our ability to offer them within a price range that our customers find acceptable.

We think of this challenge as part of a longer-term, front and back end issue. How do we engage our customers in a “front-end” conversation about their choices and willingness to pay for products that are part of a meaningful “back-end” program to reclaim all or portions of KEEN products at the end of their useful life?

These often challenging and sometimes conflicting goals are what spur us on to engage with current and potential customers to use our collective power as individuals to help make meaningful change possible.

FLA AND SA8000 SHARED RESPONSIBILITY



FAIR LABOR IN PRODUCTION

We believe in the dignity of labor and the power of individuals to support this concept through their purchasing decisions. There are a number of realities that we face with contract manufacturing. As a relatively small company, KEEN is subject to uncertain global market forces. Competition and the demand for lower prices by retailers and consumers have driven many production facilities overseas. United States-based footwear production is further challenged to access raw materials which are increasingly produced in the same countries where assembly is done.

We place our orders with contract production facilities in a number of countries around the world based on:

1. **QUALITY WORKMANSHIP**
2. **ON-TIME DELIVERY**
3. **ADHERENCE TO KEEN'S WORKPLACE CODE OF CONDUCT FOR CONTRACT PRODUCTION FACILITIES**
4. **COMPETITIVE PRICE**

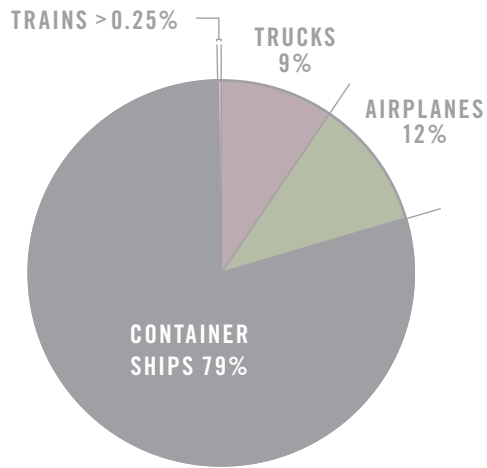
Producing goods in a number of countries can be challenging. Laws are often unevenly enforced, which presents difficulties at many levels. The KEEN Workplace Code of Conduct for Contract Production Facilities, found in Appendix IV, was adopted by our Board of Directors in April 2007. The KEEN Code details our expectations for our Chinese office that provides production placement, delivery and comprehensive technical support.

GOING FORWARD

In addition to our ongoing engagement with the FLA, our requirement is that by the end of 2008 all contract production facilities (if more than 20 percent of their total output is dedicated to KEEN) will be certified to Social Accountability International's standard, called SA8000.

Social Accountability International (SAI) is an international non-profit human rights organization dedicated to the ethical treatment of workers around the world. SA8000 has the potential to help the management of current and potential contract production facilities building our products have the capacity to understand and ensure that we have a shared responsibility to meet our Code expectations.

CO₂ EMISSIONS FOR U.S. MARKET
AS PERCENT BY TRANSPORTATION TYPE



2007 NET REDUCTION IN CO₂ EMISSIONS
BY SHIPPING DIRECT TO RETAILER



OUR SUPPLY CHAIN AND THE ENVIRONMENT

SHIPPING GOODS FROM PRODUCTION TO CONSUMERS

Moving our finished products from production facilities to warehouses to stores around the world requires burning fossil fuels which generate carbon dioxide (CO₂), a major GHG contributor to climate change. Looking beyond the immediate business risk, we have a duty to reduce our CO₂ emissions throughout our global operations, including our contract production facilities and supply chain transportation methods. In 2007, we released 6,249 metric tons of CO₂ emissions in the course of transporting 3,125,000 pairs of shoes to our U.S. retailers. This calculation is based on the GHG Protocol emission standards.

MEASURING OUR CARBON FOOTPRINT

As we gain a greater degree of measurement throughout our operations, our goal is to look beyond carbon neutrality and focus our efforts on reducing our overall carbon footprint through product innovation, use of recycled and/or natural materials and a focus on efficiency in production and transportation.

SUPPLY CHAIN ACTION ITEMS FOR 2008 AND BEYOND

ACTION ITEM	METHODOLOGY
Further develop and expand GHG emissions disclosure for transportation from production facility to port.	Coordinate efforts with freight-forwarders to disclose GHG emission in metric tons of CO ₂ emissions by mode of transportation.
Explore efficiencies in the transportation of product from production facilities to retailers.	Benchmark best practices of regulations in various markets, voluntary protocols and peer-to-peer recognition of best materials, processes and/or practices.
Document incremental improvements in the percent of pairs shipped as ocean freight.	Total number of shipments and metric tons of CO ₂ emissions by mode of transportation.

We will work to lessen our GHG at every step – sourcing, production, transportation and sales. Our first step will be to disclose and benchmark our GHG emissions in each of these areas, and then set realistic goals to reduce these emissions. In order to develop an effective long-term operational strategy to address GHG emissions, we will first develop a strategic plan and determine our current levels of emissions, as outlined above. Our GHG strategy will help us decide where to focus resources.

KEEN GREEN Team Mantra

To encourage sustainable practices actively, inclusively and creatively through educating our peers, leading by example and re-imagining all possible green solutions.

In 2007, KEEN purchased 100 percent renewable energy for our corporate headquarters to offset 164 metric tons of green house gas emissions through Portland Gas & Electric's Clean Wind Program.

RUNNING OUR BUSINESS OPERATIONS

CARBON OFFSETS FOR CORPORATE HEADQUARTERS

In 2007, KEEN purchased 100 percent renewable energy for our corporate headquarters to offset 164 metric tons of green house gas emissions through Portland Gas & Electric's Clean Wind Program. This renewable energy offset purchase equated to roughly 403,123 miles not driven or 21,787 trees planted annually.

PAPER CONSUMPTION

In an effort to conserve energy, produce less pollution and preserve forests, we seek to purchase Forest Stewardship Council-certified paper products for our corporate office and catalogue printing. The [Forest Stewardship Council](#) (FSC) is a non-profit organization devoted to encouraging the responsible management of the world's forests.

E-WASTE

In 2007, KEEN recycled 1,502 pounds of e-waste -- CRT monitors, computers, cell phones and other things electronic. Bear eCycling, an Oregon-based environmentally sustainable electronics reuse and recycling company, collected our e-waste.

DUMPSTER DIVE

In 2007 we conducted a "dumpster dive" to measure the effectiveness (diversion rate) of our head office recycling program. We literally put on plastic gloves and sorted our trash and recycling bins into three piles: 1) what's been properly recycled, 2) what ended up in the trash bin that could have been recycled; and 3) what was non-recyclable.

COMMUTING TO WORK SURVEY

According to a TriMet (the regional public transportation provider in the Portland, Oregon area) survey, 29 percent of KEEN employees took public transportation, walked or rode their bike to work; bicycle commuting accounting for 12 percent of this total. According to the US Census "American Community Survey," just over eight percent of US commuters took transit, bicycled or walked to work in 2006. The same survey found 22 percent of City of Portland commuters took transit, bicycled or walked.

SUPPORTING OUR COMMUNITY AND PROTECTING OUR PLANET

The foundation of *Hybrid.Care* is our belief that KEEN is more than a brand. We strive to be a company with a conscience by making a positive difference, giving back to the greater community and caring for the environment we share and depend on.

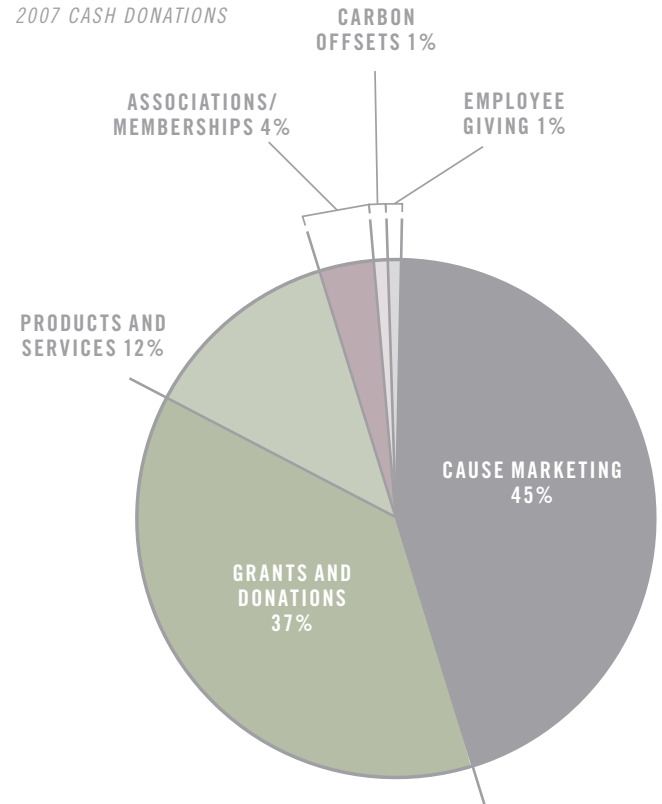
From 2005 to 2008, a majority of our time and money was committed to The Conservation Alliance (CA), a non-profit organization with a mission to engage outdoor businesses to help protect and conserve threatened wild places for their habitat and recreation values. During this three-year period, we helped CA attain significant victories in the U.S. and Canada. These recent successes have:

1. Secured protection for one million acres in the U.S. and 11.4 million acres in Canada.
2. Removed one dam in Colorado and won approval to remove another in Tennessee.
3. Halted an effort to open the Arctic National Wildlife Refuge to oil development.
4. Purchased a climbing area in North Carolina.

In 2007, we donated over \$1.35 million (74 percent as cash and 26 percent as in-kind donations) to a variety of non-profit organizations, community groups and volunteers around the world that reflect our shared philosophy of caring, conscience and sustainability. This figure represents 1.05 percent of net sales.

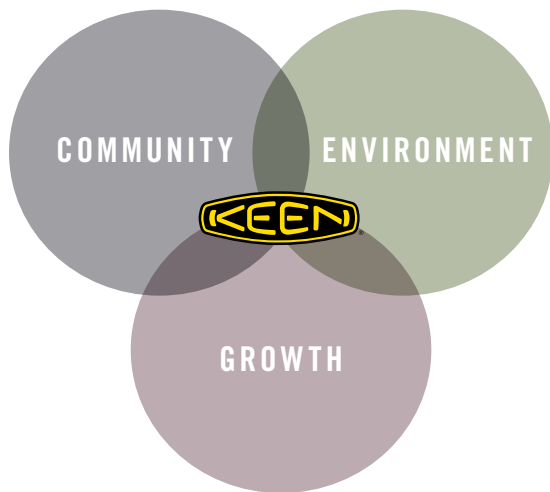


2007 CASH DONATIONS



NEXT STEPS

Our first KEEN Report Card has detailed current initiatives, challenges and opportunities. We will continue to find materials and process alternatives to reduce our environmental footprint. Our long-term success in implementing socially and environmentally responsible business practices depends on balancing Community, Environment, and Growth.



	GOAL	ACTION ITEMS 2008–2009	METHODOLOGY
COMMUNITY	1. RESPECT: We will promote fair, safe, and healthy work environments related to KEEN.	<ul style="list-style-type: none"> Promote fair labor practices with improved collaboration and monitoring. 	<ul style="list-style-type: none"> Year over year with a 2007 baseline. FLA accredited by 2011. SA8000 certification for all contract production facilities with >20% output devoted to KEEN by 2009
ENVIRONMENT	2. REDUCE: We will reduce our overall environmental footprint across a number of areas.	<ul style="list-style-type: none"> Reduce and mitigate waste. 	<ul style="list-style-type: none"> Year over year with a 2007 baseline for manufacturing and operations.
		<ul style="list-style-type: none"> Monitor and reduce our greenhouse gas emissions. 	<ul style="list-style-type: none"> Utilize the “Greenhouse Gas Strategy in the Outdoor Industry” analysis as a baseline in 2008 (see Appendix IX).
		<ul style="list-style-type: none"> Optimize our transportation of products 	<ul style="list-style-type: none"> Define by Q4 2008.
	3. ENGAGE: We will engage with various like-minded organizations on a local and global level.	<ul style="list-style-type: none"> Integrate more materials with sustainable attributes into our products. 	<ul style="list-style-type: none"> Define by Q4 2008.
GROWTH	4. BUILD: We will continue to build a Brand that will endure and a Business that is successful.	<ul style="list-style-type: none"> Engage and expand our “like-minded” partners base 	<ul style="list-style-type: none"> 1 percent (75 percent as cash and 25 percent in-kind donations) at a 5-year trailing average of 1 percent of adjusted profit before interest and taxes.
		<ul style="list-style-type: none"> Integrate CSR into all aspects of our Organization. 	<ul style="list-style-type: none"> Year over year with a 2007 baseline.

We invite you to join us in the conversation about how you, we and KEEN can do better. Please feel free to email us with your comments at keenreportcard@keenfootwear.com.