

The California Transparency in Supply Chains Act of 2010 (SB 657) was designed to increase the amount of information made available by manufacturers and retailers regarding their efforts to address the issue of slavery and human trafficking within their supply chain. This law will go into effect January 1, 2012 and will allow consumers to make better, more informed choices regarding the products they buy and the companies they choose to support.

Skechers products are manufactured at independent factories around the world. Skechers USA, Inc. is committed to working only with vendors who conduct their businesses ethically and are socially responsible. It is never acceptable for any Skechers products to be produced using forced or child labor. Every factory producing Skechers products is required to comply with local labor laws, International Labor Organization conventions and Skechers' standards regarding ethics and social responsibility.

Skechers USA, Inc. strives to ensure that all of its products are sourced, produced and delivered to our customers in a manner that upholds international labor and human rights standards. In order to ensure the absence of forced and child labor within its supply chain, Skechers USA, Inc. has undertaken the following efforts:

Supply Chain Verification and Evaluation

It is a requirement for all manufacturers doing business with Skechers to comply with Skechers' Guidelines for Responsible Factory Operation. Compliance with the Guidelines for Responsible Factory Operation is mandatory and is required in order to do business with Skechers. Manufacturers are also required to post these Guidelines, as well as all labor laws and other internal policies in the workplace, in both English and the local language(s) where they may be seen by employees. Skechers further requires that all manufacturers certify that they do not employ, in whole or in part, convict labor, forced labor, indentured labor or child labor at any stage of the manufacturing process.

Skechers uses the manufacturer certifications as well as audits of all manufacturers' conformity with these Guidelines in order to verify its product supply chains and to address and reduce risks of human trafficking and slavery. Skechers does not use any third parties and performs this verification internally.

Auditing of Suppliers

Manufacturer factories are regularly audited by Skechers employees. Factories are audited for a number of issues, chief among which is verification of the absence of forced or child labor. The presence of forced or child labor would mean the immediate failure of the audit and the right for Skechers to terminate any relationship with such manufacturer. These audits are done on both a scheduled and an unannounced basis, and include interviews with the manufacturers' employees themselves.

Skechers additionally audits its manufacturers for health and safety conditions and eco-friendly initiatives in their factories. These additional items are audited on the basis of Footwear Distributors and Retailers of America (FDRA) guidelines.

Certification of Materials Incorporated into Skechers Products

Skechers requires that all manufacturers certify that they do not employ, in whole or in part, convict labor, forced labor, indentured labor or child labor at any stage of the manufacturing process.

Additionally, all potential vendors of materials used in the manufacture of Skechers products must certify on their applications that they do not use underage, involuntary, prison, convict, slave, indentured, bonded or other forced labor. All vendors must comply with FDRA guidelines, as well as all applicable local and

national laws. Failure to comply will result in Skechers' ability to terminate any business relationship with such vendor.

Internal Accountability Standards and Procedures

Skechers maintains and enforces internal accountability procedures for employees, and contractors regarding company standards in slavery and human trafficking. In the case of non-compliance with company standards, including those regarding the use of underage, involuntary, prison, convict, slave, indentured, bonded or other forced labor, Skechers may terminate the business relationship.

Training of Employees and Management

Skechers requires that all internal employees whose job functions involve overseeing production and/or auditing of manufacturers, as well as all manufacturers themselves, attend workshops held by the FDRA twice a year. These FDRA workshops include the Overseas Labor Practice Workshop where some of the most important issues related to footwear sustainability, social compliance and product safety are discussed. Skechers additionally provides internal training to ensure that those employees whose job functions involve overseeing production and/or auditing of manufacturers are knowledgeable and aware of the most current issues and concerns regarding convict labor, forced labor, indentured labor, child labor and human trafficking. Skechers makes materials available such that its employees have a clear understanding regarding Skechers' policies on these issues.