

**SKECHERS USA, INC.  
FOREIGN CORRUPT PRACTICES ACT  
COMPLIANCE POLICY AND GUIDE**

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**SKECHERS USA, INC.**  
**FOREIGN CORRUPT PRACTICES ACT**  
**COMPLIANCE POLICY**

**I. POLICY**

Skechers USA, Inc. (“Skechers” or the “Company”) has grown to become one of the world’s most recognized and influential brands. Our talented professionals focus on leading Skechers with their vision of success. The rapid globalization of the brand challenges our firm commitment to conduct business with honesty and integrity. The purpose of this Foreign Corrupt Practices Act Compliance Policy (this “Policy”) is to reiterate that commitment, and to explain the specific requirements and prohibitions of the laws of the United States (“U.S.”) that reinforce and police this commitment, no matter where in the world SKECHERS and its subsidiaries (the “Company”) operate.

The Foreign Corrupt Practices Act, as amended (the “FCPA”), makes it illegal for U.S. citizens and companies, their officers, directors, employees and agents, as well as foreign companies and persons acting in the U.S., to bribe foreign officials. Although the concept is simple, the law directly affects everyday business relationships with foreign governments in the many countries in which the Company operates. The FCPA also requires accurate and complete books and records and the maintenance of proper internal accounting controls.

All Company personnel are expected to conduct Company business legally and ethically. The use of Company funds or assets for any unlawful, improper or unethical purpose is prohibited. Improper gifts, payments or offerings of anything of value to foreign officials could jeopardize the Company’s growth and reputation, and will not be tolerated.

Violations of the FCPA can run afoul of other U.S. laws as well, including, but not limited to, U.S. anti-money laundering laws, mail and wire fraud, conspiracy, RICO, and other laws. Specifically, it is the Company’s policy to comply fully with the FCPA and all other relevant U.S. and foreign laws.

The penalties for FCPA violations are severe. Any individual who violates Company policies relating to the FCPA, or the FCPA itself, will be disciplined and may be terminated. The FCPA imposes criminal and civil liability on both individuals and corporations. Numerous individuals who have been prosecuted for FCPA violations have been sentenced to prison and/or required to pay substantial fines. Further, personal fines will not be reimbursed by the Company. A company found in violation of the FCPA may also incur substantial fines and may be disqualified from holding export licenses.

This Policy should be read in conjunction with the Company’s Code of Conduct and other general management policies.

**II. WORLDWIDE APPLICATION**

This Policy extends to all of the Company’s domestic and foreign operations, including operations conducted by any departments, subsidiaries, agents, consultants or other representatives. It extends to all of the Company’s majority-owned affiliates, including joint ventures.

This Policy also extends to all of the Company’s financial record-keeping activities and is integrated with the obligations to which the Company is already subject by virtue of the U.S. federal and state securities laws, including the U.S. Securities and Exchange Act of 1934.

The Company's FCPA Guide, which sets forth the Company's FCPA policies and procedures in detail, extends to, and will be provided to, all employees in the Company whose job duties are likely to lead to an involvement in or exposure to any of the areas covered by the FCPA.

### **III. RESPONSIBILITIES OF ALL COMPANY EMPLOYEES INVOLVED IN INTERNATIONAL MATTERS**

Although on the surface the FCPA's requirements and prohibitions seem straightforward, in practice FCPA issues are often difficult. Every Company employee, agent or representative whose duties are likely to lead to involvement in or exposure to any of the areas covered by the FCPA is expected to become familiar with and comply with the FCPA Guide, to avoid inadvertent violations and to recognize potential issues in time for them to be appropriately addressed.

Each Company employee whose duties are likely to lead to involvement in any of the areas covered by the FCPA will be requested to complete, sign (manually or electronically) and return to the Legal Resources Department a Certificate acknowledging their receipt of, and responsibility to comply with, this Policy. Such employees may also be required to participate in training sessions as instructed by management.

If you have questions or problems concerning this Policy, the FCPA Guide, interactions with foreign officials or payment practices, or would like to request a copy of the Company's more detailed FCPA Guide, you should contact the Company's Legal Department at:

**Skechers USA, Inc.  
Legal Department  
228 Manhattan Beach Boulevard  
Manhattan Beach, Ca 90266  
Attn: Philip G. Paccione**

**Telephone: (310) 318-3100 ext. 4379  
email: philp@skechers.com**

If you have specific concerns regarding a possible violation of the FCPA Policy or this FCPA Guide, please contact the Company's Legal Department. Alternatively, you may contact the Company's Confidential Hotline at 1-800-729-1517 (in the U.S.).

# **SKECHERS USA, INC.**

## **FOREIGN CORRUPT PRACTICES ACT**

### **GUIDE**

#### **I. INTRODUCTION**

The U.S. Foreign Corrupt Practices Act, as amended (the “FCPA”), prohibits the bribery of “foreign officials,” and also requires U.S. companies to maintain internal accounting controls and keep books and records that accurately reflect all transactions.

Every employee, agent or representative of Skechers USA, Inc. or any of its subsidiaries (the “Company”) whose duties are likely to lead to involvement in or exposure to international business activities is required to read and comply with both the Company’s FCPA Compliance Policy (this “FCPA Policy”) and the following implementing procedures (the “FCPA Guide”).

#### **II. PROHIBITED AND RESTRICTED PAYMENTS**

Although on its face the FCPA appears to be a fairly simple statute, in practice it can be quite complex. The law recognizes that companies must interact with foreign officials in many ways to conduct business, and establishes guidelines for acceptable and unacceptable behavior in those interactions. Compliance with those guidelines, which are the basis for the Company’s policies, requires vigilance on the part of all Company employees.

The FCPA prohibits the offer, promise, authorization, or payment of a bribe or “anything of value” to a “foreign official” (regardless of rank or position) in order to secure improper influence over official actions that affect the Company. This prohibition is very broad, and covers: (1) cash payments; (2) non-cash “payments,” benefits, and favors; and (3) in certain circumstances, otherwise legitimate business expenditures such as gifts, entertainment, and hosted travel or training. The FCPA prohibits these payments whether they are made directly or indirectly through third parties, such as consultants, agents, and joint venture partners.

##### **A. Interactions with “Foreign Officials”**

The FCPA applies to interactions with “foreign officials.” For purposes of the FCPA Policy, a “foreign official” means any officer or employee of a non-US government or any department, agency, or instrumentality thereof, or of a “public international organization,” any person acting in an official capacity for or on behalf of a foreign government or government entity or of a public international organization, any foreign political party or party official, or any candidate for foreign political office. Thus, foreign officials include not only elected officials, but also consultants who hold government positions, employees of companies owned or controlled by foreign governments, political party officials, officials of public international organizations, and others.

Under the FCPA Policy, “foreign officials” also include spouses and other immediate family members of foreign officials. Enforcement officials will treat payments to dependents of officials the same as payments directly to the officials themselves. Payments to other relatives must also be scrutinized in advance, and safeguards imposed, to protect against the risk that the relatives could act as conduits to the official.

It is important to note the very broad definition under U.S. law of “instrumentalities.” Employees of certain companies are not treated or thought of as government officials in their home country.

Under the FCPA, however, they are “foreign officials.” Any questions relating to whether an individual is a “foreign official” should be directed to the Company’s Legal Department.

The term “public international organization” includes such organizations as the United Nations, the World Bank, the International Finance Corporation, the International Monetary Fund, and the Inter-American Development Bank. The Company’s Legal Department should be contacted if there is a question as to whether an organization should be treated as a public international organization for the purpose of the FCPA Policy.

### **B. Cash and Non-Cash Payments: “Anything of Value”**

Requests by foreign officials for payments that would violate the FCPA arise in varied settings and can be much more subtle than a direct request for a kickback or bribe. The FCPA prohibits the provision of “anything of value” to a foreign official for improper purposes. This term is very broad, and can include any item of monetary or economic value, including, for example:

- Gifts
- Gift or sale of stock or other investment opportunities in other than an arm’s length transaction for demonstrated fair market value, e.g., buying from an official at inflated prices or selling to an official at deflated prices
- Contracts or other business opportunities awarded to a company in which a foreign official holds a beneficial interest
- Medical, educational, or living expenses
- Travel, meals, lodging, shopping or entertainment expenses

### **C. Prohibited Payments**

As a practical matter, past enforcement actions have shown that the FCPA’s prohibition against improper payments to “obtain or retain business” or to “secure any other improper advantage” covers virtually any improper payment made in a business context including; instructing, authorizing or allowing a third party to make prohibited payments on the Company’s behalf. For example, Company employees and agents must offer, pay, or give things of value to foreign officials, directly or indirectly:

- to prevent some governmental action, such as the imposition of a large tax or fine, or the cancellation of an existing government contract or contractual obligation;
- to obtain a license or other authorization from a government (such as the right to import goods) where the issuance involves the foreign official’s or his/her government’s discretion;
- to obtain confidential information about business opportunities, bids or the activities of competitors;
- to obtain the right to open an office, to secure a zoning ruling or to influence the award of a government contract;
- to influence the rate of taxes that would be levied on the Company’s business;
- to obtain relief from government controls;
- to resolve governmental disputes, e.g., the resolution of tax deficiencies or a dispute over duties payable;
- to resolve commercial litigation in foreign courts;
- to affect the nature of foreign regulations or the application of regulatory provisions; or
- to secure any improper advantage.

#### **D. Third Party Payments**

The FCPA prohibits both direct and indirect payments to foreign officials. Thus, a U.S. company can face FCPA liability based on improper payments made by its agents or other business partners, whether or not the Company knew of the payments. The Company's reputation for conducting its business using only legal and ethical means can be undone by a single act by a third party that the Company chose as its partner or representative. Thus, for business and legal reasons, the Company's practice of fairness and professionalism must extend to the activities of the Company's agents, consultants, representatives and business partners.

The Company recognizes that there are circumstances where relationships with third parties will be required or prudent, including joint venture partners and licensees with whom we must work to operate our business from day to day.

In those circumstances where third party relationships are appropriate, to protect against the business and legal risks of dealing with third parties who do not share the Company's commitment to fair dealing, the Company must carefully choose its partners and representatives. Therefore, prior to entering into an agreement with any agent, consultant, joint venture partner or other representative who will act on behalf of the Company with regard to foreign governments on international business development or retention, the Company will perform appropriate due diligence and inform any such parties of the Company's FCPA Policy. Contracts with representatives who will interact with foreign governments on international business development or retention must be approved by the Legal Department.

Any questions regarding the policy or procedures, or their applicability to proposed third parties, should be directed to the Legal Department.

#### **E. Guidelines for Common Risk Areas**

The FCPA does not prohibit all payments to or on behalf of foreign officials. Under an affirmative defense to the FCPA, certain payments that are directly related to: (i) the promotion or demonstration of the Company's products or services; or (ii) the performance of a particular Company contract with a foreign government or instrumentality, may be permissible. To be consistent with the FCPA and the Company's FCPA Policy, such payments must be bona fide, reasonable, fully documented, supported by original receipts, accurately recorded in the Company's books and records, and properly approved in advance by the Legal Department, as described below. The Company's approval process will consider not only the legal risks, but also the public relations and business risks, that any proposed payment may present.

Because of the FCPA's strict prohibitions, Company personnel should not make or authorize any gift, payment or offer of anything of value to any foreign official, whether on the local, regional or national level, unless approved under this FCPA Guide. This FCPA Guide specifically outlines the very limited circumstances - modest entertainment, meals, Company promotional items, gifts of a nominal value and other business courtesies - when items of value can be given to foreign officials. Such entertainment, meals, Company promotional items, gifts of a nominal value and other business courtesies may not be made except in accordance with this FCPA Guide and unless the Legal Department has provided the approvals required herein.

To request Legal Department approval, individuals should complete the SKECHERS FCPA Pre- Approval Form (the "Pre-Approval Form") and submit the Pre-Approval Form to the Legal Department and the appropriate Country Manager. A copy of the Pre-Approval Form is attached hereto as Exhibit A. Of course, any expenses must be fully and accurately described in the Company's books and records.

## **1. Gifts to and Entertainment of Foreign Officials**

Gifts can be provided to foreign officials only to the extent that they meet the criteria and approval requirements set forth in this section. Gifts of Company promotional items (those with the Company logo) do not require prior written approval from the Legal Department. The value of a gift and the recipient(s) must be recorded, supported by receipts or other documentation, and must be properly recorded in the Company's books and records. Cash gifts are prohibited in all circumstances.

Meals for foreign officials do not need prior written approval from the Legal Department if they do not exceed what is generally considered common courtesy usually associated with ethical business practices. In determining what is "common courtesy usually associated with ethical business practices," we ask that employees consider the following key questions: (1) Is the cost of the meal consistent with accepted business practice? (2) Would disclosure be an embarrassment to either party? and (3) Is it ethically acceptable or permitted by local law?

Meals are reasonable when they are limited social invitations which are given to foreign officials/business partners, and that do not carry business obligations or present potential for embarrassment. Generally, meals with a per-person value of less than U.S. \$150.00 would be considered reasonable. A copy of the employee's expense report showing the (itemized) value of the meal (or other appropriate documentation) as well as the recipients must be recorded properly in the Company's books and records.

In addition, expenses relating to gifts or meals to be given to foreign officials must be:

- directly related to either the promotion, demonstration or explanation of the Company's products or services, or the execution or performance of a contract with a foreign government, agency or instrumentality thereof;
- reasonable in light of customary gifts and entertainment;
- provided for a purpose other than to induce a foreign official to misuse his/her official position;
- certain not to create the appearance of being an improper payment or a conflict of interest;
- legal under the written foreign country's laws, rules or regulations (many foreign ministries or agencies or public international organizations have separate hospitality rules);
- fully disclosed, as appropriate, to the foreign government; and
- properly recorded in the Company's books and records.

The Company's employee responsible for overseeing the gift or entertainment expense must submit supporting documentation to the Accounting Department so that the payment or expense is accurately described and reflected in the Company's books and records.

## **2. Hosting Foreign Official Travel**

On occasion, the Company may receive requests to host foreign officials for technical or operational meetings, training opportunities, negotiation sessions or for other purposes. These hostings may be required under contractual commitments, or requested or offered outside of those commitments.

When these hostings occur outside the foreign official's home country, extend over more than one day, and involve airfare, hotel, transportation, and meal expenses, these hostings will tend to involve more significant expense amounts. As such, they pose higher FCPA and public relations risks than routine in-



country hosting and entertainment of foreign officials. Accordingly, Company policy is to limit these types of hostings.

Guidelines governing all hostings outside an official's home country are contained in Exhibit B. As noted in Exhibit B, (1) the SKECHERS FCPA Pre-Approval Form; (2) a description of the business meetings, activities and entertainment; and (3) a schedule of expenses to be paid or reimbursed must be presented to the Legal Department as early as possible for consideration and pre-approval.

Under no circumstances may the spouse or family member attend these functions. In all cases, it is important to ensure that the Company communicates clearly in advance, and in writing to the foreign official, what expenses will and will not be covered by the Company. A failure to do so can increase legal risks as well as the potential for misunderstandings with the foreign official.

### 3. Facilitating or "Grease" Payments

The FCPA recognizes that petty corruption remains a significant problem in many countries around the globe. At the same time, the FCPA seeks to minimize the occasions on which U.S. companies accede to that corruption.

Facilitating payments are small payments made to low-level foreign officials, typically in countries with pervasive corruption problems, in order to expedite or secure the performance of "routine governmental actions." The FCPA grants a narrow exception for "facilitating payments."

Routine governmental actions are limited to those actions that are ordinarily and commonly performed by a foreign official. For example, obtaining non-discretionary permits, licenses or other official documents, expediting lawful customs clearances, obtaining the issuance of entry or exit visas, providing police protection, mail pick-up and delivery, providing phone service, and performing actions that are wholly unconnected to the award of new business or the continuation of prior business, would all be considered routine governmental actions. A decision by a foreign official to award new business or to continue business with a particular party would not be a routine governmental action.

The Company's policy is to allow facilitating payments only when the refusal to make such payments may severely and adversely affect the Company's ability to do business in a foreign country or in cases where the health and safety of Company personnel are at risk. Further, it is the Company's policy that a facilitating payment may be made or authorized by a Company employee, agent or consultant only if: (i) the payment is lawful under U.S. and local laws and regulations; (ii) it will be made for the sole purpose of facilitating, expediting or securing the performance of a non-discretionary act-a "routine governmental action"; and (iii) the payment does not exceed U.S. \$250.00. ***Nonetheless, any facilitating payment must be pre-approved by Skechers Legal Department (see Exhibit A: FCPA Pre-Approval Form).*** Additionally, prior to making a facilitating payment, employees should familiarize themselves with the local regulations and/or local office policies concerning facilitating payments. Local management is required to keep a log of all facilitation payments and these must be communicated to the Legal Department at the time of payment.

In cases where the health and safety of Company personnel are at risk, an exception to procedure may be appropriate.

As is the case for all payments, facilitating payments must be properly recorded on the Company's books to show the amount, purpose and the name and/or title of the person to whom the payment was made. Proper documentation of these payments should be sent to the Accounting Department.

#### **4. Social Payments**

Certain agreements may require the Company or one of its subsidiaries to make payments to assist with the development of a foreign country. These payments may be charitable donations, training obligations or social contribution payments. The Company may also wish to make development-related payments outside of a contractual obligation. Whether within or outside of a contract, these types of payments must be reviewed for FCPA compliance as described in this FCPA Guide.

Neither the existence of a contractual obligation nor the legality of the payment under local law shields the Company from FCPA liability. Prior to making such a payment, a written request for FCPA review should be submitted to the Legal Department. Social payments made directly to the government pursuant to a contractual obligation, however, do not require prior approval of the Legal Department.

#### **5. Donations to Foreign Charities**

The Company believes in contributing to the communities in which it does business and permits reasonable donations to foreign charities; but, the Company needs to be certain that donations to foreign-based charities are not disguised illegal payments to foreign officials in violation of the FCPA. The Company must also confirm that the charity does not act as a conduit to fund illegal activities in violation of U.S. anti-money laundering laws. The Company should not create even the appearance of an impropriety. Therefore, before making a donation to a foreign-based charitable entity the following guidelines should be followed.

- Request for approval. A written request describing the foreign-based charity, including the name of persons contacted and attaching any supporting documentation, should be submitted to and kept by the Legal Department. The donation should generate publicity or goodwill for the Company and demonstrate the Company's commitment to the community, whether local, regional or national.
- Background check on charitable organization. Before authorizing any payment to a foreign charity, the Company should confirm that the relevant charity is in fact a bona fide organization and not an entity controlled by or for the benefit of a foreign official or a conduit to fund terrorism. The verification of a charity's authenticity may include: (a) obtaining from the charity its articles of incorporation, statements from independent accountants, and information reflecting the charity's purpose and key management personnel; (b) requesting receipts, reports and other documents that demonstrate how the charity will use the Company's funds; (c) obtaining related information from the local office of the U.S. Embassy; and/or (d) checking that the charity is not suspected of supporting terrorism.
- Approval. Prior to the Company's donation to any foreign charity, the Legal Department should authorize, in writing, the donation and affirm that it does not violate local laws, rules or regulations.
- Record Retention. Documentation that substantiates the Company's donation (e.g., receipts) should be retained and recorded properly in the Company's books and records. Supporting documentation relating to the donation must also be forwarded to the Accounting and Legal Departments so that the payment or expense is accurately described and reflected in the Company's books and records.
- Logs. All payments under this category should be logged maintained by management and forwarded to Legal Department for its records.

## **6. Foreign Political Contributions**

It is the Company's policy that under no circumstances shall Company funds be used to make political contributions to political parties or candidates in foreign countries even if such contributions are permitted by such countries' written laws.

The Company's policy is not intended to discourage or prohibit national employees of a host country from voluntarily making personal political contributions, from participating in the political process on their own time and at their own expense, from expressing their personal views on legislative or political matters or from otherwise personally engaging in political activities in such country. Expatriate employees should, as a rule, refrain from participating in the political process in foreign countries.

## **III. RECORD-KEEPING AND INTERNAL ACCOUNTING CONTROLS PROVISIONS**

### **A. Record-Keeping, Accounting & Payment Practices**

The record-keeping provisions of the FCPA require publicly held U.S. companies such as Skechers USA, Inc. to establish and maintain a system of internal controls that ensures that all transactions and dispositions of assets occur only consistent with management's authorizations, and that all such transactions are recorded accurately and in reasonable detail in the company's books, records and accounts. Thus, the FCPA prohibits the mischaracterization or omission of any transaction on a company's books, or any failure to maintain proper accounting controls that result in such a mischaracterization or omission. Adhering to the Company's internal controls, and keeping detailed, accurate descriptions of all payments and expenses, is crucial for compliance with this component of the FCPA.

Accordingly, Company employees must follow applicable standards, principles, laws and Company practices for accounting and financial reporting. In particular, employees must be timely and complete when preparing all reports and records required by management. In connection with dealings with public officials and with other international transactions explained in this FCPA Guide, employees must obtain all required approvals from the Legal Department and, when appropriate, from foreign governmental entities. Prior to paying or authorizing a payment to a foreign official, Company employees or agents should be sure that no part of such payment is to be made for any purpose other than that to be fully and accurately described in the Company's books and records. All payments to a foreign official must be reported as such. No undisclosed or unrecorded accounts of the Company are to be established for any purpose. False or artificial entries are not to be made in the books and records of the Company for any reason. Finally, personal funds must not be used to accomplish what is otherwise prohibited by Company policy.

#### **1. Financial Control Systems and Accounting Requirements**

It is the Company's policy to maintain accurate, reasonably detailed records that fairly reflect its transactions and disposition of assets, regardless of whether the transactions are domestic or international. Therefore, Company personnel should not make any false or misleading entry in Company books and records for any reason. In addition, consistent with the requirements of the FCPA, the Company shall maintain a system of internal accounting controls sufficient to provide reasonable assurances that:

- transactions are executed in accordance with management's general or specific authorization;

- transactions are recorded as necessary: (i) to permit preparation of financial statements in conformity with generally accepted accounting principles (“GAAP”) or any other criteria applicable to such statements; and (ii) to maintain accountability for assets;
- access to Company assets is permitted only in accordance with management’s general or specific authorization; and
- the recorded accountability for corporate assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

These requirements apply to the Company and all majority-owned affiliates, whether in the U.S. or in international locations. Thus, all affiliates in which the Company directly or indirectly owns more than 50% of the voting shares or in which the Company otherwise possesses corporate control need to adopt the same - or equally adequate and similar - policies and accounting and financial control systems.

The Company also will make a good-faith effort to ensure that any affiliates in which the Company (or one of its subsidiaries) holds 50% or less of the voting shares comply with the FCPA record keeping and accounting provisions.

## **2. Responsibilities**

Company personnel shall not make any false or misleading entry in the Company’s books and records for any reason, nor may they engage in any arrangement that results in such prohibited acts. Examples of improper record-keeping include: making records appear to show a payment to one person when, in fact, the payment was made to someone else; creating a “slush fund”; submitting false or inaccurate expense account reports; and creating records that inaccurately characterize the true nature of a transaction or payment (for example, reporting an “overhead expense” instead of “commission”).

The Accounting Department and Internal Audit Department shall maintain accounting procedures, financial reporting and controls, and an internal audit program for the Company. Monitoring and auditing systems must be in place to detect violations of Company policy and of applicable laws. In particular, the Company should monitor and review the records of personnel who have discretionary authority over Company assets, who are likely to come into contact with government officials, or who submit financial data that affects Company financial statements or reports.

The Company should ensure that all personnel know that anyone having information or knowledge of any unrecorded or mischaracterized asset or fund must report it directly to the Legal Department. **Employees may also report such activities by using the Company’s Confidential Hotline at 1-800-729-1517 (in the U.S.).**

### **B. FCPA Audit Procedures to Verify Compliance**

The Company’s Internal Audit Department shall periodically conduct confidential audits concerning compliance with the Company’s FCPA Policy. These audits of the Company’s records, books and accounts are designed to prevent and detect violations of the FCPA and Company policies, practices and procedures.

### **C. Audits and Preservation of Attorney-Client Privilege**

In addition to the regular audits described above, there may also be individual instances where the Company wishes to investigate a certain matter. In these events, the Company’s General Counsel shall, at his or her discretion or when so directed by the Board of Directors, issue a written directive to the Internal Audit Department to perform an audit of the Company’s records, books and accounts to prevent and detect violations of the FCPA and to ensure compliance with the Company’s policies, practices, and procedures. In the course of such investigation or audit, the General Counsel may obtain the assistance of any Company employee, and is authorized to retain accounting firms (subject to Audit Committee

approval as necessary), outside counsel, or others, as deemed necessary in the discretion of the General Counsel.

Reports of audit findings will be provided directly to the Legal Department in order to preserve and retain the attorney client privilege.

#### **IV. RELATED FOREIGN LAWS**

Although this FCPA Guide focus s on compliance with the FCPA, it is necessary to remain equally attentive to compliance with applicable local laws of each of the countries in which the Company operates or seeks to operate. These laws include bribery laws, the laws, regulations, and policies that govern the activities of public officials, such as conflict of interest and ethics rules, tax laws, and others.

Following the entry in o force of several important international conventions in recent years, more than 60 countries prohibit, as a matter of domestic law, illicit payments to government officials in other countries. As a result, the domestic laws in many of the countries where the Company does business or may have business partners now include their own versions of the FCPA.

In addition, the international movement against official corruption has spawned new cooperation mechanisms between U.S. enforcement officials and their foreign counterparts, which significantly increase the risk of investigation and prosecution. The Department of Justice regularly teams with foreign enforcement officials to pursue corruption cases. The international conventions all require countries to cooperate on extradition, mutual assistance in obtaining evidence, asset freezes and records, and the like.

#### **V. RELATED U.S. LAWS**

Violations of the FCPA can run afoul of other U.S. laws as well, including, but not limited to, U.S. anti-money laundering laws, mail and wire fraud, conspiracy, RICO, and other laws. Specifically, it is the Company's policy to comply fully with the FCPA and all other relevant U.S. and foreign laws.

If you detect any suspicious activities that reasonably cause you to believe that an activity is illegal or involves money laundering or terrorist financing, you should immediately advise your supervisor and the Legal Department so that a determination can be made regarding the need for the Company to report the suspicious activity to government authorities.

## **VI. RESPONSIBILITIES**

It is the responsibility of every employee to ensure that no gifts, payments or offers of gifts, payments or anything of value are made or authorized to “foreign officials” without following the procedures set forth in the FCPA Policy and this FCPA Guide.

The Legal Department is responsible for monitoring and reviewing payments to and made on behalf of foreign officials and for providing guidance and assistance to Company employees concerning compliance with this FCPA Guide.

The Company’s Legal Department is responsible for reviewing requests for authorization of facilitating payments and promotional or marketing expenses and for approving such requests when such payment, gift or offer would not violate either the FCPA or the Company’s FCPA Policy.

The Legal Department is responsible for training appropriate employees, agents, consultants and business partners with respect to the Company’s FCPA Policy, for obtaining certifications of compliance from such personnel, and for maintaining proper FCPA compliance and oversight files.

The Accounting Department and Internal Audit Department are responsible for maintaining and enforcing the Company’s accounting and recordkeeping policies, and maintaining the Company’s system of internal controls to ensure that assets of the Company are disbursed only as authorized by management, as set forth in this FCPA Guide.

If you have questions or problems concerning the FCPA Policy, this FCPA Guide, interactions with foreign officials or payment practices, you should contact the Company’s Legal Department at:

**Skechers USA, Inc.  
Legal Department  
228 Manhattan Beach Boulevard  
Manhattan Beach, Ca 90266  
Attn: Philip G. Paccione**

**Telephone: (310) 318-3100 ext. 4379  
email: philp@skechers.com**

If you have specific concerns regarding a possible violation of the FCPA Policy or this FCPA Guide, please contact the Company’s Legal Department. **Alternatively, you may contact the Company’s Confidential Hotline at 1-800-729-1517 (in the U.S.).**

## EXHIBIT A

### FCPA PRE-APPROVAL FORM

This form is intended for use in obtaining appropriate management approval and legal endorsement prior to engaging in interaction with foreign officials or making foreign charitable contributions. Should there be any questions or uncertainties please consult with the SKECHERS Legal Department.

Submitting Person: \_\_\_\_\_

Date of Submission: \_\_\_\_\_

Type of Transaction (Circle below)

- Gifts and Facilitating Payments (Fill in all items below excluding items #3, 7, 10 and 13)
- Entertainment/Hosting/Travel (Fill in all items below excluding item #12)
- Charitable Contributions (Fill in items #1, 4, 6, 9, 11, 12, 14, 15 and 16 below)
- Other (Fill in applicable items)

1. RECIPIENT(S) (include Names, Titles/Company/Government Agency/Organization and/or any other government relationship)

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2. BUSINESS RELATIONSHIP OF THE OFFICIALS WITH COMPANY

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3. ANY PERSONS ACCOMPANYING THE FOREIGN OFFICIALS WHOSE EXPENSES ARE TO BE PAID FOR BY COMPANY

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4. EXISTING CONTRACT/CONTRACT OBLIGATION IF ANY

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5. BUSINESS PURPOSE OF THE PROPOSED INTERACTION

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6. HOW THE REQUEST WAS RECEIVED (State name, position, and company/organization of the person who requested the interaction)

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7. PROPOSED SCHEDULE, INCLUDING DESCRIPTIONS AND DATES OF BUSINESS MEETINGS, TRAVEL & ENTERTAINMENT

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8. PAYMENT AMOUNTS OR ESTIMATED EXPENSES

	<u>Per Person</u>	<u>Total</u>
Airfare		
Transportation		
Hotel		
Meals		
Conference or Course Fees		
Per Diem Amount		
Gifts		
Entertainment		
Amount of Contribution		
Total Estimated Expenses		

9. SKECHERS USA ENTITY MAKING PAYMENTS/REIMBURSING EXPENSES

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10. NAMES OF COMPANY EMPLOYEES WHO WILL ACT AS HOSTS

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11. PROPOSED PAYMENT METHOD (Circle all that apply. If more than one item is circled, indicate which payments/expenses are to be paid in the manner indicated.)

- A. Items to be paid to Recipient indicated in Item #1 above
- B. Items to be paid to third party vendors
- C. Items to be reimbursed to Recipient upon presentation of receipts

12. GIFT/CONTRIBUTION RECORD OF PREVIOUS 12 MONTHS OF THE PROPOSED RECIPIENT

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13. NUMBER OF TIMES ENTERTAINED/HOSTED IN THE SAME CALENDAR YEAR

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14. INTERNAL ACCOUNT CODING (Please Circle Below and Insert Account Number)

- A. \_\_\_\_\_ Facilitating Payment
- B. \_\_\_\_\_ Promotional Expense
- C. \_\_\_\_\_ Training Commitment
- D. \_\_\_\_\_ Social Commitment
- E. \_\_\_\_\_ Charitable Contribution



15. Approvals

A. Requestor \_\_\_\_\_

B. Country Manager \_\_\_\_\_

C. Legal Department \_\_\_\_\_

16. ADDITIONAL INFORMATION ABOUT INTERACTION (Optional)

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17. CONTROL NUMBER (To be assigned by Country Finance Manager)

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\*\*Please attach any supporting documentation to this Form.

Submit Preapproval Forms to Skechers Legal below:

**Skechers USA, Inc.**  
**Legal Department**  
**228 Manhattan Beach Boulevard**  
**Manhattan Beach, Ca 90266**  
**Attn: Philip G. Paccione**

**Telephone: (310) 318-3100 ext. 4379**  
**email: philp@skechers.com**



## **EXHIBIT B**

### **GUIDELINES FOR HOSTING OFFICIALS**

On occasion, the Company may receive requests to host foreign officials for technical or operational meetings, training opportunities, negotiation sessions or for other purposes, either at Company facilities or elsewhere. These hostings may be required under contractual commitments, or requested or offered outside of those commitments.

Because hostings involve the payment or reimbursement by the Company of travel and travel-related expenses (including, for example, transportation, lodging, meals, and incidental expenses) of individual government officials, they raise FCPA issues. Paying the travel expenses of any foreign official must be carefully structured to ensure consistency with the FCPA and applicable laws of the official's country. In addition to the FCPA, the laws or regulations of a foreign official's country will in most cases contain provisions that govern the payment or reimbursement of expenses incurred by the official. Even where the local laws permit the Company to pay an official's expenses, there may be legal requirements applicable to the handling, accounting, and reporting of such payments. These laws and regulations must also be considered when planning Company-paid official travel.

Because of the many business and legal considerations that apply to official travel, proposals for Company-paid travel are subject to the following procedures and review requirements.

#### **Approval Process and Requirements**

Advance approval from the Legal Department is required for all payments of travel and travel-related expenses for foreign officials. Unscheduled or special trips made to accommodate foreign officials, for example a ride on a Company jet, and other exceptions to the general guidelines set out below, must also be pre-approved by the Legal Department.

For travel outside the official's home country: (1) the FCPA Pre-Approval Form (Exhibit A), (2) a description of the business meetings, activities and entertainments scheduled during the trip, and (3) a schedule of expenses to be reimbursed or paid, must be presented to the Legal Department as early as possible in advance of the hosting for consideration and approval.

Each visitor will have a business sponsor who will coordinate all benefits to be received with the Company's Corporate Travel and Legal Departments, as necessary. No Department may incur charges before the FCPA Pre-Approval Form has been approved.

#### **Payments for Expenses**

##### Airfare

- Airfare expenses paid for by the Company should mirror Company travel policies. The business sponsor will ensure that all airline travel is arranged or approved by the Company's Corporate Travel Department.

### Lodging Expenses

- Lodging expenses paid for by the Company should include only accommodation costs (including reasonable expenditures for meals) actually incurred in business class hotels and only during the period of the particular meeting, facility visit, seminar, or event, or en route to those activities.
- The Company will follow standard Company expense reimbursement policies with respect to incidental charges at hotels, including, for example, telephone and internet usage but not items such as movies, mini-bar items, access to fitness facilities, and hotel spa services.
- The business sponsor will ensure that lodging arrangements are made or approved by the Company's Corporate Travel Department.

### Local Transportation Expenses

- The Company should pay only for incidental and local transportation associated with the official's participation in the relevant Company activities. Thus, for example, the Company may reasonably pay for a standard car (use of limousines and other extravagant transportation should be avoided) to transport an official to and from his hotel and the relevant Company sites (including Company-hosted entertainment), but may not reasonably pay for an official to have a car at his disposal for a long weekend of sightseeing.
- The business sponsor will ensure that transportation is arranged or approved by the Company's Corporate Travel Department.

### Meals and Entertainment Expenses

- Within the context of hosted travel, the appropriateness of Company-paid meals and entertainment will be evaluated using the criteria set forth in the FCPA Guide and in consideration of the overall hosting agenda.
- The business sponsor is responsible for ensuring that meals and entertainments do not exceed what has been approved in advance by the Legal Department.

### Form of Payment

- Cash payments to officials to cover travel and travel-related expenses are prohibited. Exceptions may be granted where special circumstances require them and the payments are approved in advance by the Legal Department.
- Unless a per diem has been approved, payments to cover expenses should be paid directly to vendors (i.e., airlines, hotels, car rental companies) and not to the official. Where direct payment is not possible, reimbursement is contingent upon the official's provision of receipts for the expenses for which reimbursement is requested, and, wherever possible, should be paid to the official's government rather than to the individual official. This structure helps to ensure that the Company pays for only those expenses actually incurred.

### Per Diems

- Per diem allowances, which many foreign governments prefer and in some cases mandate as the means of expense reimbursement for their officials, present inherent FCPA risks as monies given directly to an individual official. The use of per diems is discouraged. Where per diems are required by the foreign government or government agency, or cannot otherwise be avoided without significant business disruption, they are permitted only with advance, written approval of the Legal Department.
- Per diems may be paid to cover the expenses of visiting officials, where consistent with local law, at a rate determined by the Company based on the reasonable cost of accommodation at the site visited or as required by local law.
- Per diems will not be paid in addition to direct payment or reimbursement for actual expenses. Costs paid directly to service providers will be deducted from daily per diem amounts.
- Per diems will not be provided in lump sum in advance of travel. No more than one week of per diem will be paid at any single time, unless inconsistent with local law. In situations where the travel duration is less than one month, and it is not practicable to make weekly payments of per diem, payment of up to one month of per diem may be paid in advance of the trip.
- The Company will pay a maximum of one travel day per diem for travel in each direction to and from the official's destination. As a general rule, additional per diem should not be necessary. If, however, the official's travel schedule is disrupted and an unexpected additional layover results, the Company will arrange for lodging and otherwise ensure that actual expenses are covered.
- The visitor's business sponsor is responsible for payment of the per diem amounts under the supervision of their local manager.

### Communication of Hosting Parameters

In all cases, it is important to ensure that the Company communicates clearly and in writing to the foreign official what expenses will and will not be covered by the Company. A failure to do so can increase legal risks as well as the potential for misunderstandings with the official. Accordingly, a letter memorializing all of the key terms of the hosting, including what expenses will and will not be covered, should be sent prior to the commencement of the hosting. The Legal Department will work with the business sponsor to draft this letter.

**Skechers USA, Inc.**  
**Foreign Corrupt Practices Act Compliance Policy and Guide**

**Employee Acknowledgement**

*I acknowledge that I have received a copy of the Skechers USA, Inc. Foreign Corrupt Practices Act Compliance Policy and Guide and it is my responsibility to fully read and understand the content and all the provisions therein. I further understand that as a condition of my employment at Skechers USA, Inc. or one of its subsidiaries, it is my responsibility and obligation to fully comply with and abide by all terms and conditions stated within these documents.*

Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_

Date: \_\_\_\_\_

**Skechers USA, Inc.**  
**Foreign Corrupt Practices Act Compliance Policy and Guide**

**Agent / Business Partner Acknowledgement**

*I acknowledge that I have received a copy of the Skechers USA, Inc. Foreign Corrupt Practices Act Compliance Policy and Guide and it is my responsibility to fully read and understand the content and all the provisions therein. I further understand that as a condition of my ongoing business relationship with Skechers USA, Inc. or one of its subsidiaries, it is my responsibility and obligation to fully comply with and abide by all terms and conditions stated within these documents.*

Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_

Date: \_\_\_\_\_