

KnowTheChain Apparel & Footwear Benchmark - Additional Disclosure 2020/2021

Company Name: Skechers

Date: 2/26/2021

The below responses contain information that we have applied to our website and corporate materials since your initial review.

THEME 1: COMMITMENT AND GOVERNANCE

1.2 Supplier Code of Conduct

The company's supplier code of conduct:

(3) is updated regularly, following internal review and input from external stakeholders

Skechers' response:

Through our commitment to the UK Modern Slavery Act, our compliance officers and senior management team produces a statement every year setting out the steps we take to ensure that slavery and human trafficking are not taking place in any of our supply chains or any part of our business. We regularly update our standards and provisions based on different risk indicators and input from external stakeholders, most recently in 2019 and 2020. In 2020, we updated our Supplier Code of Conduct to strengthen provisions on labor management, including but not limited to employment contracts, recruiting agency standards and repatriation requirements – and updated our audit protocols to broaden its scope and risk indicators for forced labor and slavery, enabling our team to identify red flags and take immediate action should incidents be found.

Source:

<https://about.skechers.com/sustainability/> - first bullet of FACTORIES section

(4) is communicated to the company's suppliers

Skechers' response:

Skechers requires that the manufacturing factories (Tier 1) and material suppliers (Tier 2) through which the Company produces its product understand and legally acknowledge its Supplier Code of Conduct annually, and provides these factories and suppliers with Supplier Code of Conduct trainings. Tier 1 factories are also required to monitor Tier 2 suppliers and complete reports to ensure compliance.

Source:

UK Modern Slavery Act Statement and California Transparency in Supply Chains Act Disclosure, p. 1 (attached and in FACTORIES section at <https://about.skechers.com/sustainability/>)

- (5) requires its first-tier suppliers to take steps to ensure that their own suppliers implement standards that are in-line with the company's supply chain policies addressing forced labor and human trafficking**

Skechers' response:

Skechers requires that the manufacturing factories (Tier 1) and material suppliers (Tier 2) through which the Company produces its product understand and legally acknowledge its Supplier Code of Conduct annually, and provides these factories and suppliers with Supplier Code of Conduct trainings. Tier 1 factories are also required to monitor Tier 2 suppliers and complete reports to ensure compliance.

Source:

UK Modern Slavery Act Statement and California Transparency in Supply Chains Act Disclosure, p. 1 (attached and in FACTORIES section at <https://about.skechers.com/sustainability/>)

1.3 Management and Accountability

The company:

- (1) has a committee, team, program, or officer responsible for the implementation of its supply chain policies that address forced labor and human trafficking**

Skechers' response:

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 performs this verification through a third party as well as its internal Corporate Social Responsibility team, which is responsible for implementing the Company's Supplier Code of Conduct. The CSR team meets daily, and regularly confers with Skechers' corporate management teams throughout the year.

Source:

UK Modern Slavery Act Statement and California Transparency in Supply Chains Act Disclosure, p. 1 (attached and in FACTORIES section at <https://about.skechers.com/sustainability/>)

1.4 Training

The company:

- (2) trains its first-tier suppliers on risks and policies that address forced labor and human trafficking and discloses the percentage of first-tier suppliers trained**

Skechers' response:

We train all of our first-tier suppliers and our production quality assurance team on our Supplier Code of Conduct, which includes Skechers' provisions and standards regarding convict labor, forced labor, indentured labor, child labor and human trafficking.

Source:

<https://about.skechers.com/sustainability/> - fourth bullet of SUPPLIERS section

- (3) engages in capacity building to enable its suppliers to cascade its supply chain policies that address forced labor and human trafficking to their own supply chains and/or trains suppliers below the first tier on such policies**

Skechers' response:

All of our Tier 1 factories and Tier 2 material suppliers are required to understand and sign our Company's Supplier Code of Conduct annually. Our Supplier Code of Conduct has specific provisions regarding forced labor and human trafficking. We have zero tolerance for forced labor.

We also:

- provide Supplier Code of Conduct trainings for Tier 1 and 2 factories and suppliers;
- require Tier 1 factories to have their suppliers understand and sign acknowledgment letters for our Supplier Code of Conduct; and
- require Tier 1 factories to monitor their suppliers and complete monitor reports.

Source:

<https://about.skechers.com/sustainability/> - introduction of SUPPLIERS section

1.5 Stakeholder Engagement

To fully understand and address working conditions in sourcing countries, companies need to engage with potentially affected groups and local stakeholders such as trade unions, worker organizations, or local NGOs—in addition to suppliers. Furthermore, as forced labor risks tend to be systemic in nature, collaboration with other companies, for example, to engage policy makers to strengthen labor legislation, is needed to address forced labor in supply chains.

In the last three years, the company has engaged relevant stakeholders by:

- (1) providing at least two examples of engagements on forced labor and human trafficking with stakeholders such as policy makers, worker rights organizations, or local NGOs in countries in which its first-tier suppliers and suppliers below the first tier operate**

Skechers' response to Uyghur forced labor disclosure:

We are deeply concerned by reports of forced labor and the treatment of Uyghurs and other ethnic minorities in the Xinjiang region. The Skechers Supplier Code of Conduct standards strictly prohibit all forms of forced labor. We take a variety of proactive measures to ensure that our factories and their suppliers do not use forced labor. These include both conducting on-going scheduled and unscheduled audits with the factories we utilize in Asia to ensure there are no violations to our Supplier Code of Conduct and requiring our factories to certify to us in writing that neither they nor their suppliers use forced labor. Through these audits, which are both initiated internally as well as by a third party, of our suppliers and factories, we have not encountered any incidents of forced labor, nor are our factories sourcing cotton or other materials from the Xinjiang region. If we were to encounter any violations, the factories are required to implement a Corrective Action Plan, and are audited again to ensure compliance. If a factory were to use forced Uyghur labor, we would cease all activity with the supplier. As always, Skechers will continue its aggressive enforcement of its Supplier Code of Conduct with the factories we utilize.

Source:

<https://about.skechers.com/sustainability/> - fifth bullet of SUPPLIERS section

- (2) actively participating in one or more multi-stakeholder or industry initiatives focused on eradicating forced labor and human trafficking across the industry**

Skechers' response:

As a member of The Mekong Club, a cross-sector organization that focuses on tackling human trafficking, we are proud to be part of a global network of brands dedicated to the education and the eradication of human slavery.

Source:

<https://about.skechers.com/sustainability/> - sixth bullet of SUPPLIERS section

THEME 2: TRACEABILITY AND RISK ASSESSMENT

2.1 Traceability and Supply Chain Transparency

The company discloses:

- (1) the names and addresses of its first-tier suppliers**

Skechers' response:

We are deeply concerned by reports of forced labor and the treatment of Uyghurs and other ethnic minorities in the Xinjiang region. The Skechers Supplier Code of Conduct standards strictly prohibit all forms of forced labor. We take a variety of proactive measures to ensure that our factories and their suppliers do not use forced labor. These include both conducting on-going scheduled and unscheduled audits with the factories we utilize in Asia to ensure there are no violations to our Supplier Code of Conduct and requiring our factories to certify to us in writing that neither they nor their suppliers use forced labor. Through these audits, which are both initiated internally as well as by a third party, of our suppliers and factories, we have not encountered any incidents of forced labor, nor are our factories sourcing cotton or other materials from the Xinjiang region. If we were to encounter any violations, the factories are required to implement a Corrective Action Plan, and are audited again to ensure compliance. If a factory were to use forced Uyghur labor, we would cease all activity with the supplier. As always, Skechers will continue its aggressive enforcement of its Supplier Code of Conduct with the factories we utilize.

Source:

<https://about.skechers.com/sustainability/> - fifth bullet of SUPPLIERS section

- (2) the countries of its below-first-tier suppliers (this does not include raw material suppliers)**

Skechers' response:

We are deeply concerned by reports of forced labor and the treatment of Uyghurs and other ethnic minorities in the Xinjiang region. The Skechers Supplier Code of Conduct standards strictly prohibit all forms of forced labor. We take a variety of proactive measures to ensure

that our factories and their suppliers do not use forced labor. These include both conducting on-going scheduled and unscheduled audits with the factories we utilize in Asia to ensure there are no violations to our Supplier Code of Conduct and requiring our factories to certify to us in writing that neither they nor their suppliers use forced labor. Through these audits, which are both initiated internally as well as by a third party, of our suppliers and factories, we have not encountered any incidents of forced labor, nor are our factories sourcing cotton or other materials from the Xinjiang region. If we were to encounter any violations, the factories are required to implement a Corrective Action Plan, and are audited again to ensure compliance. If a factory were to use forced Uyghur labor, we would cease all activity with the supplier. As always, Skechers will continue its aggressive enforcement of its Supplier Code of Conduct with the factories we utilize.

Source:

<https://about.skechers.com/sustainability/> - fifth bullet of SUPPLIERS section

(3) the sourcing countries of at least three raw materials at high risk of forced labor and human trafficking

Skechers' response:

We are deeply concerned by reports of forced labor and the treatment of Uyghurs and other ethnic minorities in the Xinjiang region. The Skechers Supplier Code of Conduct standards strictly prohibit all forms of forced labor. We take a variety of proactive measures to ensure that our factories and their suppliers do not use forced labor. These include both conducting on-going scheduled and unscheduled audits with the factories we utilize in Asia to ensure there are no violations to our Supplier Code of Conduct and requiring our factories to certify to us in writing that neither they nor their suppliers use forced labor. Through these audits, which are both initiated internally as well as by a third party, of our suppliers and factories, we have not encountered any incidents of forced labor, nor are our factories sourcing cotton or other materials from the Xinjiang region. If we were to encounter any violations, the factories are required to implement a Corrective Action Plan, and are audited again to ensure compliance. If a factory were to use forced Uyghur labor, we would cease all activity with the supplier. As always, Skechers will continue its aggressive enforcement of its Supplier Code of Conduct with the factories we utilize.

Source:

<https://about.skechers.com/sustainability/> - fifth bullet of SUPPLIERS section

2.2 Risk Assessment

Risk assessment involves evaluating the potential that a company has (by virtue of who its suppliers are and where they are located) of being linked to forced labor and human trafficking. Risk assessment is a process that is carried out in addition to and outside of auditing. It helps identify potential forced labor risks as well as actual impacts that may be hard to detect through audits. This process may involve engaging local stakeholders, labor rights experts, independent sources, and assessing risks associated with specific raw materials, regions, or groups of workers such as migrant workers.

The company discloses:

(2) details on forced labor risks identified in different tiers of its supply chains

Skechers' response:

We are deeply concerned by reports of forced labor and the treatment of Uyghurs and other ethnic minorities in the Xinjiang region. The Skechers Supplier Code of Conduct standards strictly prohibit all forms of forced labor. We take a variety of proactive measures to ensure that our factories and their suppliers do not use forced labor. These include both conducting on-going scheduled and unscheduled audits with the factories we utilize in Asia to ensure there are no violations to our Supplier Code of Conduct and requiring our factories to certify to us in writing that neither they nor their suppliers use forced labor. Through these audits, which are both initiated internally as well as by a third party, of our suppliers and factories, we have not encountered any incidents of forced labor, nor are our factories sourcing cotton or other materials from the Xinjiang region. If we were to encounter any violations, the factories are required to implement a Corrective Action Plan, and are audited again to ensure compliance. If a factory were to use forced Uyghur labor, we would cease all activity with the supplier. As always, Skechers will continue its aggressive enforcement of its Supplier Code of Conduct with the factories we utilize.

Source:

<https://about.skechers.com/sustainability/> - fifth bullet of SUPPLIERS section

THEME 3: PURCHASING PRACTICES

3.1 Purchasing Practices

Purchasing practices and pricing may both positively impact labor standards in the company's supply chains and increase risks of forced labor and human trafficking.

The company:

- (1) is taking steps toward responsible raw materials sourcing**

Skechers' response:

We are deeply concerned by reports of forced labor and the treatment of Uyghurs and other ethnic minorities in the Xinjiang region. The Skechers Supplier Code of Conduct standards strictly prohibit all forms of forced labor. We take a variety of proactive measures to ensure that our factories and their suppliers do not use forced labor. These include both conducting on-going scheduled and unscheduled audits with the factories we utilize in Asia to ensure there are no violations to our Supplier Code of Conduct and requiring our factories to certify to us in writing that neither they nor their suppliers use forced labor. Through these audits, which are both initiated internally as well as by a third party, of our suppliers and factories, we have not encountered any incidents of forced labor, nor are our factories sourcing cotton or other materials from the Xinjiang region. If we were to encounter any violations, the factories are required to implement a Corrective Action Plan, and are audited again to ensure compliance. If a factory were to use forced Uyghur labor, we would cease all activity with the supplier. As always, Skechers will continue its aggressive enforcement of its Supplier Code of Conduct with the factories we utilize.

Source:

<https://about.skechers.com/sustainability/> - fifth bullet of SUPPLIERS section

- (2) is adopting responsible purchasing practices in the first tier of its supply chains, which include planning and forecasting**

Skechers' response:

Please see our response to 3.1 (1) above.

- (3) provides procurement incentives to first-tier suppliers to encourage or reward good labor practices (such as price premiums, increased orders, and longer-term contracts)**

Skechers' response:

Please see our response to 3.1 (1) above.

- (4) discloses two quantitative data points demonstrating that it has responsible purchasing practices in place that address the risk of forced labor and human trafficking**

Skechers' response:

Please see our response to 3.1 (1) above.

3.3 Integration into Supplier Contracts

The company:

- (1) integrates the ILO core labor standards, which include the elimination of forced labor, into supplier contracts**

Skechers' response:

Our products are manufactured at independent factories around the world – and we're committed to working only with vendors who conduct their business ethically and are socially responsible. We adhere to the California Transparency in Supply Chains Act of 2010, requiring that every factory produces our products in compliance with local labor laws, International Labor Organization conventions and our standards on ethics and social responsibility. It's never acceptable for any Skechers products to be produced using forced or child labor.

Source:

<https://about.skechers.com/sustainability/> - introduction of FACTORIES section

4.2 Recruitment Fees

According to the ILO, workers should not be charged directly or indirectly, in whole or in part, any fees for recruitment or related costs (such as costs for training, medical tests, or travel).

The company:

- (1) requires that no worker in its supply chains should pay for a job—the costs of recruitment (i.e., recruitment fees and related costs) should be borne not by the worker but by the employer ("Employer Pays Principle")

Skechers' response:

Forced Labor

Suppliers must not use any forms of forced labor, including but not limited to prison, convict, slave, indentured and bonded labor, and involuntary overtime. All work must be completed on a voluntary basis, and human trafficking is prohibited within our supply chain. Suppliers also must not charge workers for employment and recruitment costs. In the event that recruitment fees or related costs are charged, suppliers must reimburse employees immediately, and investigations must be conducted to ensure that no other employees are indebted due to the recruitment or hiring process.

Source:

Supplier Code of Conduct, p. 2 – attached and online in first bullet at <https://about.skechers.com/sustainability/>

- (2) takes steps to ensure that such fees are reimbursed to the workers and/or provides evidence of payment of recruitment-related fees by suppliers if it discovers that fees have been paid by workers in its supply chains

Skechers' response:

Forced Labor

Suppliers must not use any forms of forced labor, including but not limited to prison, convict, slave, indentured and bonded labor, and involuntary overtime. All work must be completed on a voluntary basis, and human trafficking is prohibited within our supply chain. Suppliers also must not charge workers for employment and recruitment costs. In the event that recruitment fees or related costs are charged, suppliers must reimburse employees immediately, and investigations must be conducted to ensure that no other employees are indebted due to the recruitment or hiring process.

Source:

Supplier Code of Conduct, p. 2 – attached and online in first bullet at <https://about.skechers.com/sustainability/>

THEME 5: WORKER VOICE

5.1 Worker Engagement

The company:

- (1) takes steps to ensure its supply chain policies that address forced labor and human trafficking are communicated to workers in its supply chains**

Skechers' response:

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.

Source:

UK Modern Slavery Act Statement, p. 2 – Training of Employees and Management section (attached and online in first bullet of FACTORIES section at <https://about.skechers.com/sustainability/>)

THEME 6: MONITORING

6.1 Monitoring Process

To improve implementation of its supply chain policies, conditions at supplier level can be monitored in different ways. This could include specialized audits to detect forced labor at higher-risk suppliers or worker-driven monitoring (i.e., monitoring undertaken by independent organizations that includes worker participation and is guided by workers' rights and priorities).

The company has a supplier monitoring process that includes:

- (1) non-scheduled visits**

Skechers' response:

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.

Source:

UK Modern Slavery Act Statement, p. 2 – Auditing of Suppliers section (attached and linked online in first bullet of FACTORIES section at <https://about.skechers.com/sustainability/>)

(5) steps to ensure that suppliers below the first tier are monitored

Skechers' response:

We also:

- provide Supplier Code of Conduct trainings for Tier 1 factories and Tier 2 suppliers;
- require Tier 1 factories to have their suppliers understand and sign acknowledgment letters for our Supplier Code of Conduct; and
- require Tier 1 factories to monitor their suppliers and complete monitor reports.

Source:

<https://about.skechers.com/sustainability/> - introduction of SUPPLIERS section

THEME 7: REMEDY

7.1 Corrective Action Plans

The company discloses:

- (1) a corrective action process for its suppliers and potential actions taken in cases of non-compliance, such as stop-work notices, warning letters, supplementary training, and policy revision**

Skechers' response:

Any violations of the Code of Conduct are recorded and rated according to the severity of the violation, and the supplier is provided notice to take corrective action. Suppliers found to be in violation of the Code of Conduct are monitored and expeditiously re-audited to ensure that any violations previously noted have been corrected.

Source:

Supplier Code of Conduct, p.1 – attached and online in first bullet at <https://about.skechers.com/sustainability/>

- (2) a means to verify remediation and/or implementation of corrective actions, such as record review, employee interviews, or spot-checks**

Skechers' response:

Our Corporate Social Responsibility team works together with suppliers to remediate the situation, ensuring that human rights are protected. Follow-up audits usually occur between three and nine months after a violation is recorded, depending on the severity of the issues found.

Source:

Supplier Code of Conduct, p.1 – attached and online in first bullet at <https://about.skechers.com/sustainability/>

- (3) potential consequences if corrective actions are not taken**

Skechers' response:

Suppliers found in violations of the highest severity or responsible for multiple violations are

terminated.

Source:

Supplier Code of Conduct, p.1 – attached and online in first bullet at <https://about.skechers.com/sustainability/>

7.2 Remedy Programs / Response to Allegations

A. The company discloses:

(3) a description of what actions it is taking to prevent and remediate the use of forced Uyghur labor

Skechers' response:

We are deeply concerned by reports of forced labor and the treatment of Uyghurs and other ethnic minorities in the Xinjiang region. The Skechers Supplier Code of Conduct standards strictly prohibit all forms of forced labor. We take a variety of proactive measures to ensure that our factories and their suppliers do not use forced labor. These include both conducting on-going scheduled and unscheduled audits with the factories we utilize in Asia to ensure there are no violations to our Supplier Code of Conduct and requiring our factories to certify to us in writing that neither they nor their suppliers use forced labor. Through these audits, which are both initiated internally as well as by a third party, of our suppliers and factories, we have not encountered any incidents of forced labor, nor are our factories sourcing cotton or other materials from the Xinjiang region. If we were to encounter any violations, the factories are required to implement a Corrective Action Plan, and are audited again to ensure compliance. If a factory were to use forced Uyghur labor, we would cease all activity with the supplier. As always, Skechers will continue its aggressive enforcement of its Supplier Code of Conduct with the factories we utilize.

Source:

<https://about.skechers.com/sustainability/> - fifth bullet of SUPPLIERS section

NON-SCORED DISCLOSURE

Reporting Legislations

UK Modern Slavery Act: Where applicable, the company discloses at least one statement under the UK Modern Slavery Act.

Yes/No. Please provide link to a publicly available statement.

Our UK Modern Slavery Act Statement is attached and viewable in the FACTORIES section at <https://about.skechers.com/sustainability/>

California Transparency in Supply Chains Act: Where applicable, the company has a disclosure under the California Transparency in Supply Chains Act.

Yes/No. Please provide link to a publicly available statement.

Our California Transparency in Supply Chains Act is attached and viewable in the FACTORIES section at <https://about.skechers.com/sustainability/>