

## Human Rights Policy Adoption

### Skechers USA Inc.

**WHEREAS**, the UN Guiding Principles on Business and Human Rights<sup>1</sup> state that companies have the responsibility to respect human rights within their operations and through business relationships. This responsibility as explained in the OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector<sup>2</sup> requires companies to adopt internal policies and carry out due diligence to enable companies to identify, assess, prevent, mitigate, and remediate adverse human rights impacts throughout their supply chain. Regulations in the State of California, the United Kingdom, Australia and France require companies to report on their actions to eradicate human trafficking and slavery.

In the apparel industry, forced labor is a severe human rights risk occurring in the production of raw materials and during manufacturing, especially at lower tier suppliers and in home-based or informal manufacturing. In October 2019, the US government issued Withhold Release Orders detaining imports of products into the United States, including apparel produced in Xinjiang, China due to forced labor.<sup>3</sup>

An estimated 24.9 million<sup>4</sup> people are trapped in conditions of forced labor in extended private sector supply chains, generating over \$150 billion in profits for illegal labor recruiters and employers. Over 70% of these workers are in bondage, with migrant workers as prime targets for such exploitation resulting from the payment of recruitment fees.

Skechers USA Inc. ("Skechers") faces significant human rights risks including forced labor risks from its global operations and supply chain. The 2019 Corporate Human Rights Benchmark<sup>5</sup> gave the Company an overall score of 10.8 out of 100 and the KnowTheChain's 2018 Benchmarking Report on Forced Labor in the Apparel and Footwear Sector<sup>6</sup> gave the Company an overall score of 7 out of 100. While Skecher's Supplier Code of Conduct prohibits forced labor and it has posted a statement under the California Transparency in Supply Chain Act and the UK Modern Slavery Act, its' Corporate Code of Conduct does not prohibit the use of forced labor in its operations and it has no formal human rights policy.

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<sup>1</sup> [https://www.ohchr.org/documents/publications/GuidingprinciplesBusinessshr\\_eN.pdf](https://www.ohchr.org/documents/publications/GuidingprinciplesBusinessshr_eN.pdf)

<sup>2</sup> <https://www.oecd.org/governance/oecd-due-diligence-guidance-for-responsible-supply-chains-in-the-garment-and-footwear-sector-9789264290587-en.htm>

<sup>3</sup> <https://www.cbp.gov/trade/programs-administration/forced-labor/withhold-release-orders-and-findings>

<sup>4</sup> Global Slavery Index 2018 at <https://www.globalsslaveryindex.org/>

<sup>5</sup> <https://www.corporatebenchmark.org/>

<sup>6</sup> <https://knowthechain.org/2018-apparel-and-footwear-benchmark/>

Managing human rights risks with board oversight is necessary to prevent and mitigate potential significant operational, financial, legal and reputational risks associated with negative human rights impacts. A human rights policy would assure shareholders that these risks are acknowledged, and processes are or will be implemented to address this. Apparel industry leaders like Adidas and Gap Inc. have adopted human rights policy statements.

**RESOLVED:** Shareholders ask the Board of Directors to adopt a comprehensive human rights policy articulating our company's commitment to respect human rights, which includes a description of steps to identify, assess, prevent and mitigate actual and potential adverse human rights impacts.

**Supporting Statement:** Proponents recommend that the policy include:

- A commitment to respect human rights based on international standards, including the International Labour Organization's core labor standards;
- A human rights due diligence process and reporting; and
- Effective grievance mechanisms.