DECKERS
BRANDS

CORPORATE RESPONSIBILITY UPDATE
FISCAL YEAR 2017

FOR THE REPORTING PERIOD **APRIL 1, 2016 – MARCH 31, 2017**

UGG® KOOLABURRA BY UGG™ HOKA ONE ONE Teva sanuk

MENU

WELCOME . . . 1
Introduction . . . 1
Joint Letter from our President and CEO . . . 2

OUR SUSTAINABILITY APPROACH . . . 3
FY 17 Performance at a Glance . . . 3
Targets and Improvement Initiatives for FY18 . . . 4
United Nations Global Compact . . . 5
Sustainable Development Goals . . . 5
Governance . . . 6
Partnerships . . . 6

OUR PEOPLE, OUR CULTURE . . . 7
Benefits . . . 7
Ethics and Integrity . . . 8
Diversity . . . 8
Board of Directors . . . 8
Executive Leadership Team . . . 8
Global Workforce . . . 8
Female Leadership & Empowerment . . . 9
International Women's Day . . . 9
HERproject . . . 9
Factory Questionnaires/Interviews . . . 10

OUR COMMUNITY IMPACT . . . 11
Key Accomplishments in FY17 . . . 11
Volunteering and Charitable Update . . . 11
Volunteer Efforts by Region . . . 11
Used Computer/Phone Equipment Donation . . . 12
Soles4Souls Donation/Good 360 Donation . . . 13
Re-focus of Donations/Brand Focus . . . 13

OUR ETHICAL SOURCING. . . . 14
Key Accomplishments in FY17 . . . 14
Our Materials . . . 14
Materials Traceability Efforts . . . 14
Animal Welfare . . . 15
Ethical Supply Chain: Human Rights & Environment in MFG . . . 16
Partnerships . . . 16
Partner Improvement Program. . . . 16
Most Common Non-Compliance Findings . . . 17
Training Efforts . . . 17
Restricted Substances . . . 18
Training Efforts . . . 18
VOC Reduction Efforts . . . 19
Handling of Hazardous Materials . . . 19
SCCPs . . . 19
Chemicals We Are Working Diligently to Reduce or Eliminate . . . 19

OUR ENVIRONMENTAL IMPACT . . . 20
Key Accomplishments in FY17 . . . 20
Energy Usage. . . . 20
Corporate Headquarters . . . 20
Retail Stores . . . 21
Distribution Centers . . . 21
Manufacturing . . . 22
Emissions . . . 22
Greenhouse Gas/Carbon Accounting . . . 22
Other Significant Air Emissions . . . 22
Water . . . 23
Waste . . . 23
Reduction Efforts at Corporate Headquarters . . . 23
Reduction Efforts at Distribution Centers . . . 24
Recovered Product . . . 24
Environmental Criteria Guide . . . 24

ABOUT THIS REPORT . . . 25
Materiality and Stakeholder Engagement . . . 25

WRAP-UP . . . 26

REFERENCES . . . 26
GRI Guidelines and Principles Index . . . 26
Online Content . . . 26
Contracted Manufacturers Map . . . 26
Historical Reporting . . . 26

WELCOME

INTRODUCTION

Deckers has always been more than just a footwear company. We're a family of dreamers, doers, and innovators that believe in doing things better. As we work to become better at everything we do, how we better the world matters, too.

That's why we are constantly striving to create the highest quality product with minimal environmental impact, setting high standards for ourselves and the industry to follow.

We understand it's crucial for our company to conduct business responsibly and know that you want to buy from a company that integrates sustainable and responsible practices into all that they do. Our Corporate Responsibility Program encourages us to always look at the broader impact of our activities on our customers, employees, communities, and the environment.

This Corporate Responsibility Update highlights the initiatives we've taken in areas of community, ethical sourcing, and environment since our **FY16 Corporate Responsibility Report**, as well as the ambitious Sustainable Development Goals we've set for ourselves.

We'll continue to travel this path keeping you informed along the way. We encourage you to follow along with us as we showcase what we're doing to ensure our products are produced in an ethical, sustainable, and environmentally-conscious way. That's the Deckers way.

OUR COMPANY IN FY17 (APRIL 1, 2016 – MARCH 31, 2017)

$1.790 BILLION
TOTAL SALES

UGG®
KOOLABURRA®
HOKA ONE ONE®
TEVA®
AHNU BY TEVA®
SANUK®
OUR BRANDS

3,565 EMPLOYEES WORLDWIDE
EMPLOYEES

China
Vietnam
Cambodia
Philippines
USA
Dominican Republic
COUNTRIES WE MANUFACTURE IN

FACTORY PARTNERS

LETTER FROM OUR PRESIDENT AND CEO

Deckers was built by passionate people for passionate people. Over four decades later, it's that passion and commitment to our consumers that drives all that we do. We believe in carrying out our business decisions in a way that we know would make you proud: being mindful of the environment and the communities in which we operate, and doing the right thing, even when no one is watching.

We admire the passion of our consumers that drives them to learn more about our products- to question how and under what conditions our products are made and what we're doing to reduce our environmental impact. Deckers is committed to communicating our efforts with full transparency to be the shoe worn by bold adventurers and outdoor enthusiasts around the world every day.

POINTS OF PROGRESS

Our corporate responsibility journey is always evolving; I'm excited to share with you these major points of progress:

- Joining the United Nations Global Compact;
- Adoption of Sustainable Development Goals (our "7 by 2027");
- Initiating the installation of solar panels at our corporate headquarters;
- Improved waste management efforts;
- Reduced volatile organic compounds (VOCs) and other harmful chemicals;
- Increased Ethical Supply Chain (ESC) and Restricted Substances (RS) trainings at both the factory and supplier level;
- Increased focus on improving the livelihood of the workers in our supply chain; and
- Fostering a safe, diverse, inclusive and growth-focused workplace.

Our greatest corporate responsibility achievement to date is the adoption of our Sustainable Development Goals, which will be the overarching guide of our corporate responsibility efforts moving forward. With this streamlined approach, we will have a greater impact on improving the lives of the workers in our supply chain, reducing our environmental footprint, and making a difference in the communities in which we operate.

I am proud of Deckers' commitment to corporate responsibility and look forward to updating you on our continued progress.

Sincerely,

Dave Powers
President and CEO

OUR SUSTAINABILITY APPROACH

FY17 PERFORMANCE AT A GLANCE

COMMUNITY IMPACT:

CHARITABLE DONATIONS

$1,283,966 donated through Deckers Gives to over **256** non-profit organizations.

DECKERS GIVES

1,986 HRS

Total hours volunteered by employees.

ETHICAL SOURCING:

- Adoption of Sustainable Development Goals in the areas of human rights, gender equality, reduced inequalities, and quality education.
- New strategic partnerships:
  - United Nations Global Compact.
  - BetterWork Vietnam.
  - Leather Working Group's Animal Welfare Group.
  - Textile Exchange's Responsible Leather Working Group.
- 150 hours of trainings provided to third-party partners on various ESC-related issues.
- 325.7 hours of trainings provided to third-party partners on various RS-related issues.
- RS failure rate reduced dramatically to only 3.5%.
- VOCs reduced to approximately 17g per pair for UGG® branded product, 18g per pair for Sanuk® branded product, 25g per pair for Hoka One One® branded product and 39g per pair for Teva® branded products (consistent with last year).

ENVIRONMENT:

- Adoption of Sustainable Development Goals in the areas of materials, waste, chemicals, water, climate and clean energy.
- In FY16, Deckers donated $110,930 to environmental impact mitigation, which accounted for 8.6% of our total charitable donations.
- 98% of all leathers used in Deckers Brands products were sourced from Leather Working Group-certified tanneries.
- Revised Animal Welfare Policy.
- Re-launched Environmental Criteria Guide.
- Tracked energy usage at corporate HQ locations, U.S. retail locations, and U.S. distribution centers.
- Continued to work holistically on improving our overall packaging configuration to further reduce waste and optimize costs.
- Tracked energy usage at key T1 suppliers.

FY18 TARGETS AND IMPROVEMENT INITIATIVES

COMMUNITY IMPACT:

CHARITABLE DONATIONS

- Continue our impact in the communities we live through more focused and streamlined corporate donations, ensuring organizations align with each brand's unique values.

DECKERS GIVES

- Continue our impact on the community through corporate volunteer efforts.
- Meet or exceed our FY17 total volunteer hours.

ETHICAL SOURCING:

- Streamline our ethical sourcing short-term goals so that we are in line to achieve our larger long term Sustainable Development Goals ("7 by 2027") in the areas of human rights, gender equality, reduced inequalities, and quality education.
- Expand HERproject women's empowerment initiative to five additional core contracted factories.
- Use feedback obtained from the factory interview/questionnaire to shape training and education efforts at the supply chain level.
- Continue to further reduce VOCs to achieve our goal of 25g per pair by 2019.
- Achieve approximately 80% of paper packaging derived from recycled material.
- Increase unannounced ESC audits for T1 partners by 50%.
- Engage external partners to drive sustainability and transparency across the industry and implement verification audits and additional training to ensure compliance with our Environmental Criteria Guide amongst our T2 partners.
- Conduct 250 hours of restricted substances-related trainings in FY18.
- Increase our ethical supply chain-related trainings by 6.5% to approximately 160 hours in FY18.

ENVIRONMENT:

- Streamline our environmental short-term goals to set us up to achieve our larger long term Sustainable Development Goals ("7 by 2027") in the areas of materials, waste, chemicals, water, climate, and clean energy.
- Continue to measure waste diversion efforts and energy tracking efforts at our U.S. headquarters, U.S. distribution centers, and U.S. retail stores.
- Further expand chemicals management and awareness training.
- Increase use of environmentally-preferred materials.
- Deepen materials traceability efforts.
  - By 2020, trace 85% of cattle hide leathers to the meat packer;
  - By 2020, trace 100% of splits, pig, goat and sheep skins to the country of origin; and
  - By 2020, ensure that 80% of our wool is sourced from either a Responsible Wool Standard-certified source or a by-product of the tannery processing our sheepskins.

UNITED NATIONS GLOBAL COMPACT

Reflecting the growing importance of corporate responsibility, in October 2016, Deckers Brands announced its official participation in the United Nations Global Compact, the world's largest voluntary corporate citizenship initiative. Our support for the United Nations Global Compact is a formal commitment of Deckers Brands to conduct our business with the utmost respect for universal principles of human rights, labor standards, responsible environmental practices, and anti-corruption.

SUSTAINABLE DEVELOPMENT GOALS

Inspired after joining the UNGC, Deckers wanted to challenge ourselves to adopt more formal long-term goals. We are excited to announce Deckers Brands Sustainable Development Goals.
Below are our new targets which we are calling our "7 by 2027".

MATERIALS
(RELATES TO SDG 12, 15)
Continue to seek more sustainable alternatives for our key materials.

WASTE
(RELATES TO SDG 7, 12, 13)
Sustainably reduce waste generation through prevention, reduction, recycling and reuse.

CHEMICALS
(RELATES TO SDG 3, 6)
Achieve the environmentally sound management of chemicals and all wastes throughout their life cycle in accordance with international frameworks and significantly reduce their release to air, water, and soil in order to minimize their adverse impacts on human health and the environment.

WATER
(RELATES TO SDG 6)
Ensure that our operations and 100% of our key tanneries, T2 suppliers, and factory partners use industry good practice for consumption and effluent treatment to improve water quality by reducing pollution eliminating dumping and minimizing the release of hazardous chemicals and materials.

7 BY 2027 SUSTAINABLE DEVELOPMENT GOALS

HUMAN RIGHTS
(RELATES TO SDG 3, 4, 5, 10)
Embed human rights across our operations by taking immediate and effective measures to eradicate forced labor and modern slavery, human trafficking and secure the elimination of the worst forms of child labor in our supply chain; protect labor rights and promote safe and secure working environments for all workers in our supply chain including factories and T1 suppliers.

CLIMATE & CLEAN ENERGY
(RELATES TO SDG 7, 12, 13)
Continue to report on energy usage at our corporate HQ, DCS, and US retail store locations. Continue to challenge our manufacturing partners to further reduce energy consumption per pair of Deckers Brands shoes, and integrate climate change measures into our policies and planning.

GENDER EQUALITY
REDUCED INEQUALITIES
QUALITY EDUCATION
(RELATES TO SDG 4, 5, 10)
Empower and promote the social, economical and political inclusion of all, in our operations and supply chain, irrespective of age, sex, disability, race, ethnicity, origin, religion, or economic or other status including the adoption of policies for the promotion of gender equality and the empowerment of all women and girls at all levels.

GOVERNANCE

We believe we are most effective when we work together in cross functional teams. In FY17 we made the decision to merge our Ethical Sourcing and Environmental Stewardship working groups. This combined group and the Deckers Goods Working Group continue to meet on a quarterly basis to drive various corporate responsibility initiatives within their respective areas of focus. Sustainability issues are brought to the Executive Leadership Team through periodic reports by Deckers' SVP, General Counsel, and Compliance Officer and are brought to the Board of Directors through an annual report to the Audit Committee, the committee responsible for overseeing legal and regulatory compliance matters. Please see Deckers' proxy statement for more on our corporate governance.

PARTNERSHIPS

At Deckers, we recognize we can make more substantial sustainable business practices by working closely with our partners. We are members of several multi-stakeholder initiatives focused on addressing social and environmental challenges. We encourage dialogue with our local communities, business partners, and employees regarding corporate responsibility issues. In addition to those partnerships outlined in our **FY16 CR Report**, we are proud to introduce additional alliances we formed in FY17:

LEATHER WORKING GROUP'S ANIMAL WELFARE GROUP

Deckers is a member of the **Leather Working Group** (LWG), an industry organization that developed and maintains a rating system and certification program for environmental performance in tanneries. Approximately 98% of all leather used in Deckers products is sourced from a LWG-certified tannery. In FY17 Deckers joined the Leather Working Group's Animal Welfare Group (AWG). The primary objective of the AWG is the education of the leather value chain on the main aspects of animal welfare. The priorities of this group are traceability, slaughter protocols, assurance schemes, and risk mapping.

UNITED NATIONS GLOBAL COMPACT

In FY17 Deckers Brands officially joined the United Nations Global Compact, the world's largest voluntary corporate citizenship initiative. With over 8,000 participating companies, the United Nations Global Compact (UNGC) is the world's largest corporate sustainability initiative. Launched in 2000, the UNGC brings business together with U.N. agencies, labor, civil society, and governments to advance universal principles in the areas of human rights, labor standards, the environment, and anti-corruption.

TEXTILE EXCHANGE'S RESPONSIBLE LEATHER WORKING GROUP

Deckers is an advisory member of the Textile Exchange's Responsible Leather Working Group. In FY17 Deckers joined other brands, animal welfare groups, farmers, supply chain members and the Textile Exchange to provide funding for the Responsible Leather Working Group. The group will focus on animal welfare and will work toward minimizing the harmful impacts of the global textile industry and maximizing its positive effects by building capacity, interpreting and disseminating information, and sharing best practices across the entire value chain.

OUR PEOPLE, OUR CULTURE

At Deckers, we embrace each other's differences, knowing our diversity allows us to continue to develop unique, quality-driven products for our equally diverse customers. Deckers has a deep-rooted company culture that encourages our employees to be who they are: **Be Kind, Bold, Honest, Open, and Courageous.** Our employees are dynamic individuals who strive toward continuous improvement in both their personal and professional lives.

BENEFITS

While our core benefits have not substantially changed from what's been previously disclosed in our **FY16 CR Report**, in FY18 Deckers announced that it will launch some exciting new benefits. We look forward to speaking about these enhanced benefits in our FY18 CR Report.

A list of all other benefits can be found in our **FY16 CR Report**.

ETHICS AND INTEGRITY

Our **Code of Ethics** is embedded in our core. It is the overarching guide we use to conduct our day-to-day business in an ethical matter. All Deckers employees are, upon hire, required to complete our Code of Ethics web-based training. We ensure each and every one of our employees understands and commits to our code's values.

DIVERSITY

Deckers employees are rich in different histories and personal experiences, hailing from points across the globe and bringing with them original viewpoints and uncommon talents. We believe a diverse workforce helps ensure we understand the tastes and needs of our equally diverse customers.
To foster our culture of celebrating diversity, in FY17 we revised our **Code of Ethics** to protect gender identity and gender expression. We want all employees to have the support needed to be themselves.

BOARD OF DIRECTORS

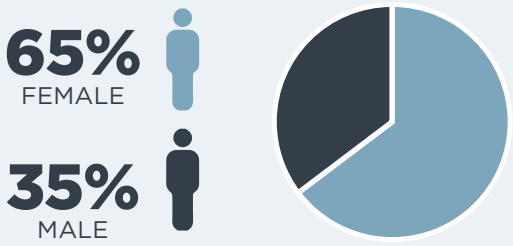
Our directors reflect a diversity of skills, backgrounds, ethnicities, gender, and qualifications valued by our board. Deckers Board of Directors is comprised of ten individuals: three are female and seven are male. Our board is made up of multiple ethnicities including Latino, African-American, and Asian American. For more on our Board of Directors, **click here**.

EXECUTIVE LEADERSHIP TEAM

Deckers Executive Leadership Team is comprised of nine members: seven of which are male.

GLOBAL WORKFORCE

Deckers has a total of 3,565 global employees: 2,309 (64.7%) are female and 1,256 (35.3%) are male.



FEMALE LEADERSHIP & EMPOWERMENT

INTERNATIONAL WOMEN'S DAY

March 8th was **International Women's Day**. As a company whose brand presidents and global workforce are predominantly female, we feel it is incredibly important to lead by example to support female empowerment. We showed support for #internationalwomensday on **www.UGG.com** and our UGG® **social media platforms**.

HERproject

Although incredible strides have been made to ensure equal opportunity and protection for women, there is still a journey ahead. Approximately 50% of women are not protected by labor laws, and one-third of women globally experience some form of violence in their lifetime. Deckers strives for a world where all women have access to education, healthcare, family planning services, and the money that they earn. Yet, we live in a world tainted by gender, race, and class inequality.

At Deckers, this collective frustration with our current world also empowers and inspires us to make a difference. We take pride knowing we have the ability to affect change in the fashion and footwear industries by working toward a sustainable and socially responsible business.

In an effort to advance gender parity, in 2016 we partnered with BSR's HERproject, a collaborative initiative that connects global brands with suppliers and local NGOs to empower women. Over the last decade, BSR's HERproject has reached over 500,000 women in 420 workplaces across 14 countries.

HERproject CONTINUED

We implemented the HERhealth curriculum at one of our factory partners to educate women on preventative care and reproductive health. The women who participated in the program were able to share what they learned with their friends, relatives and colleagues to benefit the overall community.

We saw how powerful the effect of these efforts were, which is why in FY18 we plan on expanding this partnership to a total of five factories in China and Vietnam. We want to continue to empower women with the knowledge they need to make informed decisions that impact their own lives and the lives of their children, relatives, and colleagues.

FACTORY QUESTIONNAIRES/INTERVIEWS

At Deckers, we're a family. We care about the lives of all those who work so hard to bring our product to life. As such, we want our compliance program to go beyond simply protecting workers' rights; we want to improve the lives of those involved in our supply chain. In FY17, to better understand any challenges factory workers in our supply chain face, we circulated a questionnaire as a means of obtaining open and honest feedback. We are in the initial phases of digesting this data, but in FY18 we hope we can tailor our training and education programs to better fit these workers' needs based on what we've learned from this exercise. In FY18, we also plan to sit down with these workers to have candid conversations; we want to hear what challenges they face in their personal and professional lives so that we can continue to find ways to make a difference.

OUR COMMUNITY IMPACT

KEY ACCOMPLISHMENTS IN FY17

COMMUNITY IMPACT

DECKERS GIVES

$1,283,966 donated through Deckers Gives to over **256** non-profit organizations.

1,986 HRS

Employees volunteered **1,986** total hours.

- North America: **1,625 hours**
- APAC: **361 hours**
- EMEA: **Zero hours**

VOLUNTEERING AND CHARITABLE GIVING UPDATE

VOLUNTEER EFFORTS BY REGION

UNITED STATES

We are proud of our generous and compassionate employees who prioritize giving back to their local communities. In FY17, our U.S. based employees volunteered a total of 1,625 hours.

One of our favorite volunteer projects this year was the collective efforts of the Teva® innovation team. After hearing the story of a **41-year-old elephant** suffering from arthritis-related pain, our innovation team jumped into action to design and construct a special pair of shoes to alleviate the elephant's pain. This is the second time the Teva® team has worked to find a solution to care for animals in need; **Lucky the Penguin** also benefited from our innovative Teva® footwear team. We are proud of our employees and the efforts they make to go above and beyond every day.

EUROPE, THE MIDDLE EAST AND AFRICA (EMEA)

Due to other pending priorities in FY17, our EMEA employees unfortunately did not volunteer in a substantive way. In FY18, we hope to work with the EMEA team to identify those organizations which would benefit most from volunteer hours within region. We look forward to reporting back on this team's volunteer effort progress in next year's Corporate Responsibility Report.

ASIA PACIFIC (APAC)

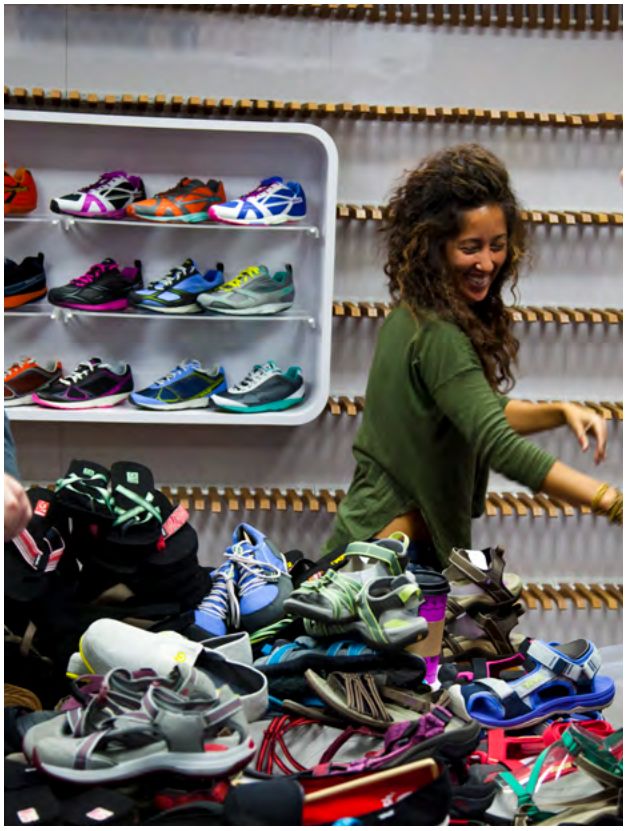
In FY17, our APAC team volunteered a total of 361 hours. One significant volunteer focus was the team's work at two primary schools which benefited under-served and poverty-stricken children. Namely, in March 2017, a group of our APAC colleagues delivered 33 used laptops and 33 sets of chairs and desks to Suiling Primary School. The employees also set up a basic IT training room there to teach technology-related skills to these fourth - sixth grade students. Seeing our impact on the lives of these children encouraged our APAC employees to set up another basic IT training room at Fuxing Primary School. Again, many of these children are underserved in their respective communities and likely would not have had access to computers without our efforts. This was just a small step toward achieving our sustainable development goal of providing quality education to those in need. Our sincere hope is that by providing these students with equipment and basic training, we helped spark creativity and a hunger for knowledge to influence the rest of their lives.

USED COMPUTER/PHONE EQUIPMENT DONATION

One of our Sustainable Development Goals is to provide quality education to those in need. Our APAC team served as a forerunner in contributing to this goal at local primary schools by hosting IT workshops and donating used laptops. In FY17, our corporate headquarters location also donated approximately 45 used computers to those in need. We are proud to further our mission of providing quality education in an eco-friendly, waste-free way. We look forward to continuing these efforts into FY18.

SOLES4SOULS DONATION / GOOD 360 DONATION

Deckers partners with Good360 and Soles4Souls to recover and repurpose returns and post-consumer shoes. These partnerships divert product that would otherwise be destined for landfill and help to close the loop of our product lifecycle. Since 2006, in partnership with Soles4Souls, Deckers has donated 746,751 pairs of shoes to people living in poverty-stricken regions across the globe. These shoes allow more children the opportunity to attend school and adults the ability to work by supporting microenterprises in various countries. In FY17, Deckers donated 42,661 units of product (including shoes, apparel and pillows) to Soles4Souls. Deckers also donates shoes to Good360, a non-profit organization that distributes shoes to local charities throughout the United States. In FY17, Deckers donated 1,656 pairs of shoes to Good360. Since 2014, the start of our partnership with Good360, Deckers has donated a total of 7,403 pairs of shoes.



RE-FOCUS OF DONATIONS/ BRAND FOCUS

While we have enjoyed being involved with numerous charitable organizations over the years, we want each of our brands to identify which charitable platform(s) they feel best aligns with their respective brand. In FY17, we started working with our brands to learn which causes they are most passionate about. In FY18, our charitable contributions will be more streamlined to better support these brand visions, solidify brand identity and create a greater impact on our surrounding communities.

ETHICAL SOURCING

KEY ACCOMPLISHMENTS IN FY17

ETHICAL SOURCING

- Adoption of Sustainable Development Goals in the areas of human rights, gender equality, reduced inequalities and quality education.
- New strategic partnerships:
  - United Nations Global Compact.
  - BetterWork Vietnam.
  - Leather Working Group's Animal Welfare Group.
  - Textile Exchange's Responsible Leather Working Group.
- 150 hours of trainings provided to third-party partners on various ESC-related issues.
- 325.7 hours of trainings provided to third-party partners on various RS-related issues.
- RS failure rate reduced dramatically to only 3.5%
- VOCs reduced approximately 17g per pair for UGG® branded product, 18g per pair for Sanuk® branded product, 25g per pair for Hoka One One® branded product and 39g per pair for Teva® branded product (consistent with last year).

OUR MATERIALS

MATERIAL TRACEABILITY

As noted in our Sustainable Development Goals, we are striving to seek more sustainable alternatives to our key materials. We're also working on using materials which can be traced back to their original source. This ensures we are purchasing materials for Deckers Brands product from suppliers who are operating responsibly.

MATERIAL TRACEABILITY CONTINUED

At Deckers, we want to know that the hides used in our products can be traced back to their origin. However, since the hides are a by-product of the meat industry, this is often a challenge. We have adopted some key targets we aim to achieve by 2020 to help deepen our materials traceability efforts and ensure we are on track to achieve our Sustainable Development Goals by 2027:

- By 2020, trace 85% of cattle hide leathers to the meat packer;
- By 2020, trace 100% of splits, pig, goat and sheep skins to the country of origin; and
- By 2020, ensure that 80% of our wool is sourced from either a Responsible Wool Standard-certified source or a by-product of the tannery processing our sheepskins.

We look forward to achieving these ambitious goals.

ANIMAL WELFARE

Deckers is strictly opposed to animal cruelty. All Deckers suppliers must certify their compliance with our **Animal Welfare Policy**. In FY17, we updated our Animal Welfare Policy to reflect some key changes. Namely:

1. Merino Wool: Deckers will now accept Merino wool from Australia only from certified non-mulesed or ceased-mulesed wool sources,
2. Deforestation: Deckers requires all tanneries supplying finished leather (cattle hides) to Deckers Brands originating from Brazil to have a Leather Working Group certification and a level “A” rating in traceability which ensures the hides sourced are not originating from farms involved in illegal deforestation and
3. Down: All down used in Deckers branded product is certified in accordance with the **Responsible Down Standard**.

Ensuring the wellbeing of animals and treating them responsibly is simply the right thing to do.

ETHICAL SUPPLY CHAIN: HUMAN RIGHTS AND ENVIRONMENT IN MANUFACTURING

PARTNERSHIPS

We believe in the power of collaboration. Our Ethical Supply Chain team continues to collaborate with outside parties to ensure we are in accordance with industry best practices and can guarantee a safe and fair working environment for the workers in our supply chain. In FY17, Deckers' ESC team collaborated with 10 outside third parties, including other brands, on various topics including external audits and ongoing partner improvement plan efforts. With our production expanding more into Vietnam, we partnered with multiple Vietnam footwear and apparel brands, as well as **Better Work Vietnam**, to ensure the workers in our supply chain are treated fairly, pursuant to **International Labor Organization** guidelines and are conducting their day-to-day work in a safe working environment.

PARTNER IMPROVEMENT PROGRAM

We know that simply signing a certification and completing a compliance training is not enough to assure full compliance. That is why our Ethical Supply Chain team goes above and beyond simply monitoring factories: they drive the ongoing improvement of working conditions.

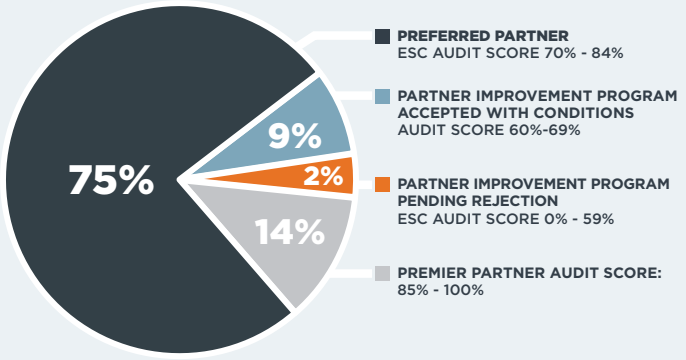
Deckers requires transparent participation during site visits. Performance audits are based on **International Labor Organization** core labor standards and are conducted on our factories at least annually by Deckers-authorized compliance auditors or accredited third-party auditors.

In FY17, our ESC team audited 100% of our Tier 1 factories, including 44 on-site audits for direct-sourced Tier 1 factories and 60 desktop assessments for Agent/Licensee-sourced suppliers which produce lifestyle products.

We are pleased to report that in FY17, approximately 75% of our primary partners (Tier 1 Suppliers and primary Tier 2 tanneries and outsole suppliers) met Deckers Preferred Partner standards, and 14% of our primary partners achieved Premier Partner standards. We are pleased to see fewer partners in our Partner Improvement category: 4% in FY16 v. 2% in FY17.

While this is great progress, we know there is still much that can be done. In FY18, we plan on increasing our unannounced audits for Tier 1 partners by 50%. We will also perform unannounced audits among our Tier 2 partners to ensure compliance with our Environmental Criteria Guide.

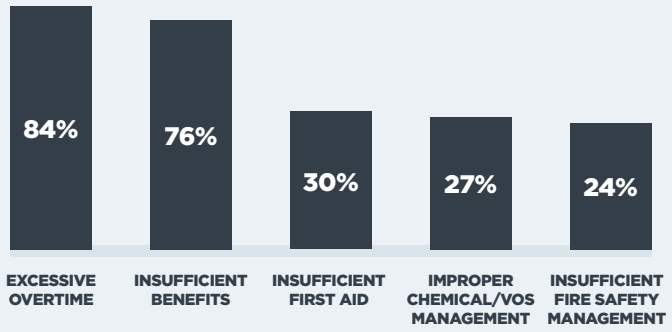
FY17 FACTORY PERFORMANCE



MOST COMMON NON-COMPLIANCE FINDINGS

We know transparency matters. For the first time ever, we are disclosing the most frequent non-compliance findings as a result of our periodic auditing. The chart to the right outlines our most frequent non-compliance findings as a result of our face-to-face auditing. Our most frequent non-compliance issue in FY17 was excessive overtime (84%) followed by insufficient benefits (76%). 84% of the partners audited (31 out of 37 audits) failed to meet our criteria on excessive overtime. Similarly, 76% of the partners audited (28 out of 37 audits) failed to meet our criteria on benefits. We expect that our continued training in these areas will improve these instances of noncompliance into FY18 and beyond.

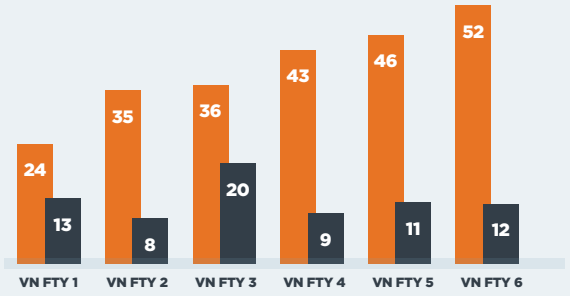
GLOBAL TOP FINDINGS



*Data pulled from 37 (out of 44) audits using our FFC platform.

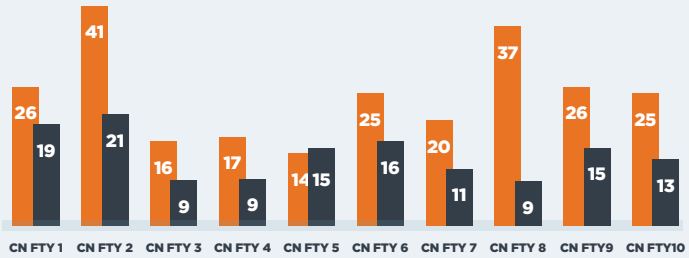
The below charts are further evidence that the hard work and dedication of our ESC team is making a difference. From 2015 to 2016, the number of non-compliance findings in both China and Vietnam have drastically decreased in almost all factories surveyed. Identifying our most frequent non-compliance findings will help focus our ESC team's training efforts. We feel strongly that with this insight, we can better streamline our training efforts moving forward and further reduce these non-compliance issues into FY18 and beyond.

NC FINDINGS OF KEY FOOTWEAR SUPPLIERS IN VIETNAM



SUM OF NUMBER OF FINDINGS IN 2015 ■ SUM OF NUMBER OF FINDINGS IN 2016

NC FINDINGS OF KEY FOOTWEAR SUPPLIERS IN CHINA



SUM OF NUMBER OF FINDINGS IN 2015 ■ SUM OF NUMBER OF FINDINGS IN 2016

* For the privacy of our partners we have not included their names but each pillar group represents one factory. Note that the China chart shows 10 factories although, per our factory map, we only have 9 factories. This is because one factory has two locations so, for the purposes of our auditing; we audit them as two separate facilities. Additionally, we have 9 factories in Vietnam but we only have data on 6 of them because the others are newer facilities (started production in 2016) and thus we did not have any historic data to use as a comparison.

TRAINING EFFORTS

In FY17, our Ethical Supply Chain team conducted approximately 150 training hours to third-party partners on various ESC-related issues. This far exceeded our target as stated in our **FY16 CR Report** of 93.5 hours. In FY 18, we hope to increase our ethical supply chain-related trainings by approximately 6.5% to roughly 160 hours.

RESTRICTED SUBSTANCES

We are committed to ensuring that all materials used in our products are safe for workers, our customers and the environment. Our **Restricted Substances List** (RSL), which is updated annually, outlines testing limits for all Deckers Brands products and details all chemical substances that are legally restricted globally. In FY17, the restricted substances materials test failure rate was only 3.5%. This is a vast improvement from FY16 where our failure rate was 9%. This improvement is a testament to our RS team's efforts to actively train and educate our partners on our policies and best practices instead of simply monitoring them.

YEAR-OVER-YEAR TESTING FAILURES

	FY15 (From 4/14 - 3/15)	FY16 (From 4/15 - 3/16)	FY17 (From 4/16 - 3/17)	FY17 DATA (Excluding Agents – e.g. Deckers only failure rate)
# OF TOTAL REPORTS	1132	1268	1429	1380
# OF FAILURE REPORTS	128	114	50	32
FAILURE RATE %	11.31%	8.99%	3.5%	2.3%

*Note - Of these failures, the majority were remediated with additional technical support/training from our RS team.

TRAINING EFFORTS

In FY17, our Restricted Substances team spent approximately 325.7 hours training our suppliers and manufacturers, aiming to further educate our business partners on various RS matters. This surpassed the target identified in our FY16 CR Report. These trainings covered a variety of different topics including, but not limited to, the following: RS policy review and highlights, CPSIA regulations and system control tools, RS compliance tools, failure analysis and corrective action plans, diagnostic tools, chemical management and safety, technical support and case studies and prevention of cross contamination. In FY18, we plan to conduct 250 hours of restricted substances-related trainings.

VOC REDUCTION EFFORT

Deckers is committed to ensuring safe working conditions where our products are made. Emissions of volatile organic compounds (VOCs) are found in various adhesives and solvents used in the manufacturing process and can cause health concerns like irritation to the eyes, nose and throat. In our FY16 CR Report, we noted how our internal teams worked hard to reduce VOC emissions per pair of Deckers Brands product. We also set targets for further reductions by 2019. We are happy to report that in FY17, VOCs were further reduced to 17g per pair for UGG® branded product (from 20g per pair in FY16), 18g per pair for Sanuk® branded product (target is to reduce to 20g per pair by 2019) and 25g per pair for Hoka One One® branded product (target is to reduce to 20g per pair by 2019). VOCs in Teva® branded product remain consistent at 39g per pair; our RS team is working hard to meet the 2019 target of 25g per pair. For Koolaburra, we hope to continue working with our production facilities to create a VOC reduction action plan and do not anticipate any issues with meeting our 2019 target of 20g per pair. We recognize that our work here is not over, and we look forward to continuing to further reduce VOCs in FY18.

SHORT-CHAIN CHLORINATED PARAFFINS (SCCP's)

While we are taking action to eliminate SCCP's in our supply chain, we recognize there is still more work to be done. Our testing laboratories typically calibrate their machines to detect between 100-200mg/kg. We are happy to report that since June 2016, we have not received any SCCP failures as a result of our 47 hours of training solely dedicated to SCCP elimination efforts. In FY18, we hope to continue these training efforts and challenge our partners to completely eliminate SCCP's in the near future.

HANDLING OF HAZARDOUS MATERIALS

In 2016, we offered basic training to all footwear factories regarding the safe handling of hazardous materials and chemicals. Our Restricted Substances team spent a total of 29 hours streamlining and training our partners on our material safety handling processes. This process includes guidelines on proper chemical labeling, appropriate chemical storage, safe handling techniques and personal protective methods. As a result, in FY17, we have not received any reports or complaints of improper handling of hazardous materials. In FY18, we will continue to provide training to our factories and work toward preventing any unsafe chemical handling processes.

ADDITIONAL CHEMICALS WE ARE WORKING DILIGENTLY TO REDUCE OR ELIMINATE

PHTHALATES: Phthalates are a group of chemicals used to make plastics more flexible and durable. While they serve an important purpose in the production of product, Deckers recognizes that phthalates are easily released into the environment and can cause harm. As such, **Deckers' Restricted Substances Policy** currently restricts 22 phthalates, which is in compliance with all global regulatory requirements. Our Restricted Substances team has dedicated 15 hours training our manufacturing and supply partners on phthalate elimination. As such, we have not received a phthalate failure (see limits set forth in our Restricted Substances Policy) since August 2016. We look forward to continuing these efforts into FY18 and further reducing phthalates from our own supply chain.

N-NITROSAMINES: Deckers has also been working diligently on the elimination of N-nitrosamines from our supply chain. Since August, 2016, we have not received any N-nitrosamine failures as a result of our Restricted Substances team's 20 hours of training dedicated solely to the elimination of N-nitrosamine. In FY18, we will continue these trainings and work closely with our manufacturing and supply partners to completely eliminate N-Nitrosamines by 2020.

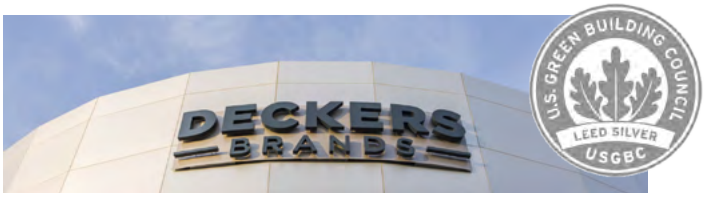
ENVIRONMENTAL EFFORTS

KEY ACCOMPLISHMENTS IN FY17 ENVIRONMENT

- Adoption of Sustainable Development Goals in the areas of materials, waste, chemicals, water, climate, and clean energy.
- In FY16, Deckers donated $110,930 to environmental impact mitigation, which accounted for 8.6% of our total charitable donations.
- 98% of all leathers used in Deckers Brands products were sourced from Leather Working Group-certified tanneries.
- Revised Animal Welfare Policy.
- Re-launched Environmental Criteria Guide.
- Tracked energy usage at corporate HQ locations, U.S. retail locations and U.S. distribution centers.
- Continued to work holistically on improving our overall packaging configuration to further reduce waste and optimize costs.

ENERGY USAGE

CORPORATE HEADQUARTERS



Our corporate headquarters is a LEED-certified building, implementing focused energy use reductions and the procurement of renewable energy sources. Our state-of-the-art HQ already utilizes solar powered water heaters to feed the hot water supply in the gym as well as all breakroom locations. In FY17, we took our energy reduction efforts one step further by initiating the installation of solar panels at our corporate headquarters.

While the project was approved in FY17, the work will begin in FY18. Once installed, these solar panels will offset about 29% of our electric usage and about 40% of our electric cost. When the solar panels are installed, we will also have informational kiosks which will give Deckers employees and our retail store customers a touch-screen tour of our advanced solar electric system, the energy we are producing and the positive effects these efforts have on the environment. We believe these efforts demonstrate our commitment to the environment and to overall greenhouse gas reduction.

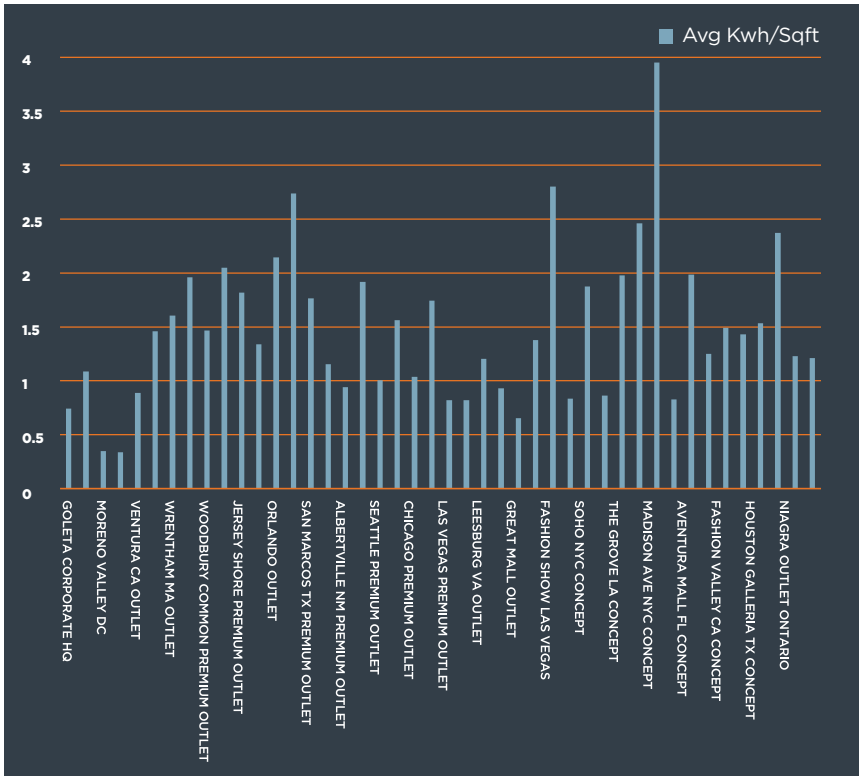
CORPORATE HEADQUARTERS CONTINUED

In FY17, we tracked our energy usage at our corporate HQ location to provide full transparency, as we did in FY16. We determined that our 190,000 square foot corporate HQ averages approximately 0.7423 kwh/sqft per month, which is less than the 0.9558 reported in FY16. In FY18 and beyond, we hope to continue to see a reduction in this usage as a result of our solar panel installation.

Having our corporate HQ in Santa Barbara, California is a huge benefit. We encourage employees to take full advantage of the beautiful weather by finding alternatives to driving a vehicle to work or by carpooling. Those who carpool, walk, bike or ride public transportation are eligible to receive company reimbursement of $1 per commute trip or $2 per day. Additionally, during the month of May, Deckers participates in The **National Bike Challenge**, a program that encourages people to use their bikes as an alternative mode of transportation.

RETAIL STORES

In FY17, much like FY16, Deckers tracked its energy usage at retail store locations in the United States. By tracking the monthly kilowatt usage at each location, we were able to approximate the monthly kilowatt usage per square foot at our retail store locations (see diagram). By adding the average monthly kwh use at each retail location tracked (approximately 220,851 kwh) and dividing it by the total square footage for all stores tracked (approximately 138,613 sqft), we were able to estimate the retail store average use of 1.5932 kwh/sqft which was a reduction from the 1.9077 reported in FY16.



*The diagram is not inclusive of all Deckers' retail stores, as some stores do not have electric meters on the premises.

DISTRIBUTION CENTERS (UNITED STATES)

In FY17, we expanded our energy tracking efforts to include our distribution center locations. Our Moreno Valley distribution center utilizes some solar powered energy which helps to offset our overall electricity usage. In total, in FY17, our Moreno Valley distribution center used 48,431 kilowatts (2%) of solar energy and 2,753,929 kilowatts (98%) of electric energy. Deckers has two distribution center locations in Camarillo, California, neither of which currently utilize solar powered energy. We look forward to challenging ourselves to finding new ways to offset our electricity usage in FY18 and beyond.

MANUFACTURING

In FY17, our ESC team engaged with 17 of our key suppliers to continue to track their energy reduction efforts. In FY17, only 29% of these suppliers (5 out of 17) reported that they have achieved our 5% reduction goal. Our goal is to continue to monitor these partners with the intention of reducing their energy consumption by 5% in FY18.

EMISSIONS

GREENHOUSE GAS/CARBON ACCOUNTING

At Deckers, we are committed to the environment and greenhouse gas reduction. We currently track our energy usage and reduce our energy consumption by offsetting our electricity usage with solar powered energy. When possible, we choose to engage with organizations that uphold this commitment to the environment as well. Domestically, we utilize **UPS** for the majority of our inbound shipping, as they've demonstrated their commitment to their own sustainability goals. UPS utilizes the industry's largest private alternative fuel and advanced technology fleets made up of more than 7,200 low-emission vehicles.

At the tannery level, the majority of our tanneries are Leather Working Group certified meaning their electricity usage is audited to ensure they are using energy-saving methods where possible.

We expect our factory partners to also use reduction measures where possible. As such, we have re-launched our Environmental Criteria Guide to our factory and supplier partners. The guide discusses our expectations in the areas of greenhouse gas, waste, water usage and more. It also provides recommendations on how to minimize our factory/supplier partner's environmental footprint. In FY18, our ESC team plans to dedicate their time collecting and analyzing the data in these areas, which we hope to present in our FY18 CR Report.

OTHER SIGNIFICANT AIR EMISSIONS

We recognize the opportunity to reduce other significant air emissions. As stated earlier in this report, our Restricted Substances and Ethical Supply Chain teams worked diligently together to reduce VOCs in Deckers Brands products. We do not anticipate any issues with meeting our planned 2019 target of 20g per pair.

WATER

As stated in our **FY16 CR Report**, our corporate headquarters location already utilizes high-efficiency dual flush water closets, lavatory faucets, low flow kitchen faucets and shower heads which use approximately 35% less water than traditional fixtures. We also use drought tolerant plants and a high-efficiency drip irrigation system. In FY17, in conjunction with the University of California, we participated in a landscape watering monitoring program. These efforts indicate that we were saving about 30% more water on landscape than was previously figured through the use of both native and non-native plantings that, once established, require very little watering.

At the tannery level, the majority of our tanneries are **Leather Working Group** certified, meaning their water usage is monitored and audited to ensure they are using water-saving methods where possible.

We expect our factory partners to also use reduction measures where possible. As stated in this report, we have re-launched our Environmental Criteria Guide to our factory and supplier partners. The guide discusses our expectations for water usage/reduction efforts. In FY18, our ESC team plans to dedicate their time collecting and analyzing the data in these areas and we hope to present this data in our FY18 CR Report.

WASTE

REDUCTION EFFORTS AT CORPORATE HEADQUARTERS

Deckers offices, distribution centers, and retail stores include effective waste diversion programs which encourage employees to recycle, compost, print double-sided and process electronic payments as opposed to paper invoices. In FY17, we started tracking our recycling efforts and found we recycled 31.1 tons of material. As reported in our **FY16 CR Report**, our local waste management company does not offer services to measure our total waste output so we cannot report on what percentage of our total waste we are recycling. We believe these reduction efforts speak to our continued commitment to reduce waste whenever and wherever possible.

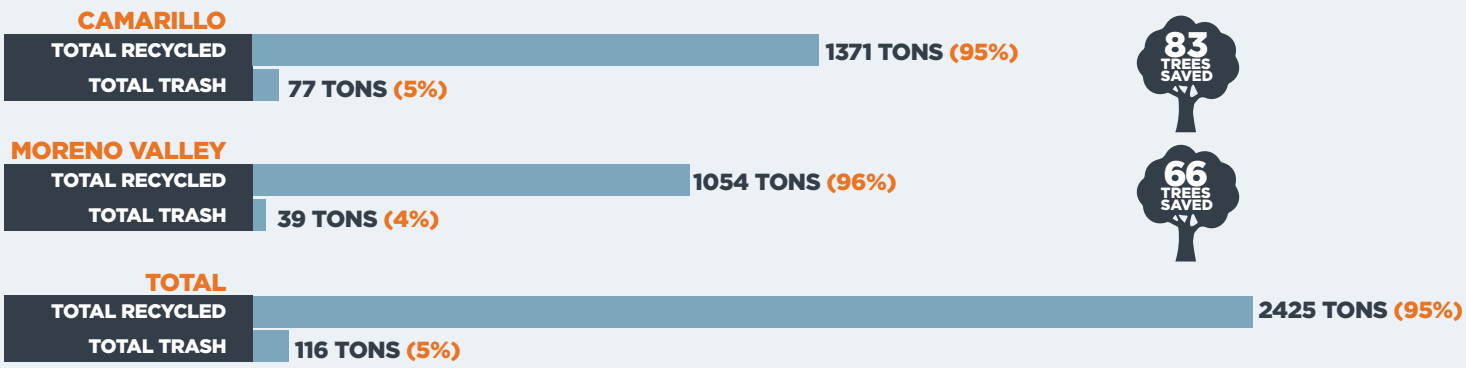
Additionally, our corporate headquarters was asked to participate in a waste management food composting project in FY17.

Our corporate HQ café is contributing approximately **110 pounds per day** to the program, or **2,400 pounds per month.** This is approximately **14.5 tons per year** of food waste which is being repurposed into usable compost.

Our corporate headquarters location continued to recycle paper throughout the year. Additionally, in FY17, approximately 39% of our total spend for office supplies was spent on supplies which have eco-friendly features. We look forward to our ongoing participation in these programs and the continuation of our waste reduction efforts.

REDUCTION EFFORTS AT DISTRIBUTION CENTERS

In FY17, we started to track our waste reduction efforts at our distribution center locations based in the United States. In total, between our two U.S.-based distribution centers, we are happy to report that 95% of our total cardboard usage was recycled, further solidifying our commitment to waste diversion. Because of our distribution centers' commitment to recycling paper, they were able to save approximately 149 trees. See below chart for more detail.



RECOVERED PRODUCT

Deckers partners with Good360 and Soles4Souls to recover and repurpose returns and post-consumer shoes. These partnerships divert product that would otherwise be destined for landfill, therefore reducing waste and helping to close the loop of our product lifecycle. In FY17, Deckers donated 42,661 units of product (this includes shoes, apparel and pillows) to Soles4Souls and 1,656 pairs of shoes to Good360.

ENVIRONMENTAL CRITERIA GUIDE

At Deckers, we aim to lead by example and positively influence our partner organizations. That's why in FY17, we revised our existing Environmental Criteria Guide and re-launched it to our Tier 1 and key Tier 2 partners. The guide outlines our expectations for our factory/supplier partners in the areas of greenhouse gas, waste, water usage, and more. It also provides recommendations on how to minimize our factory/supplier partner's environmental footprint. In FY18, our ESC team plans to dedicate their time collecting and analyzing the data in the areas of energy, water and waste management, and we hope to present this data in our FY18 Corporate Responsibility Report. We are excited to have a more powerful impact in helping to reduce energy usage, water usage, and waste amongst our key partners.

ABOUT THIS REPORT

This report covers sustainability initiatives and achievements during FY17 beginning April 1, 2016 and ending March 31, 2017. This report marks the alignment of our sustainability reporting cycle aligned with our annual financial reporting. Our prior report was released in August of 2016 and included updates from work completed FY16. Our first Corporate Responsibility Report was published in November of 2014 and included updates from work completed since the sustainability program's inception in 2010.

FY17 included the discontinuation of the Ahnu brand as a stand-alone brand. Ahnu, a line of performance outdoor footwear, now falls under the Teva® brand. While this change impacted our portfolio of brands, our centralized product maintained our strong commitment to community impact, ethical sourcing, and environmental stewardship.

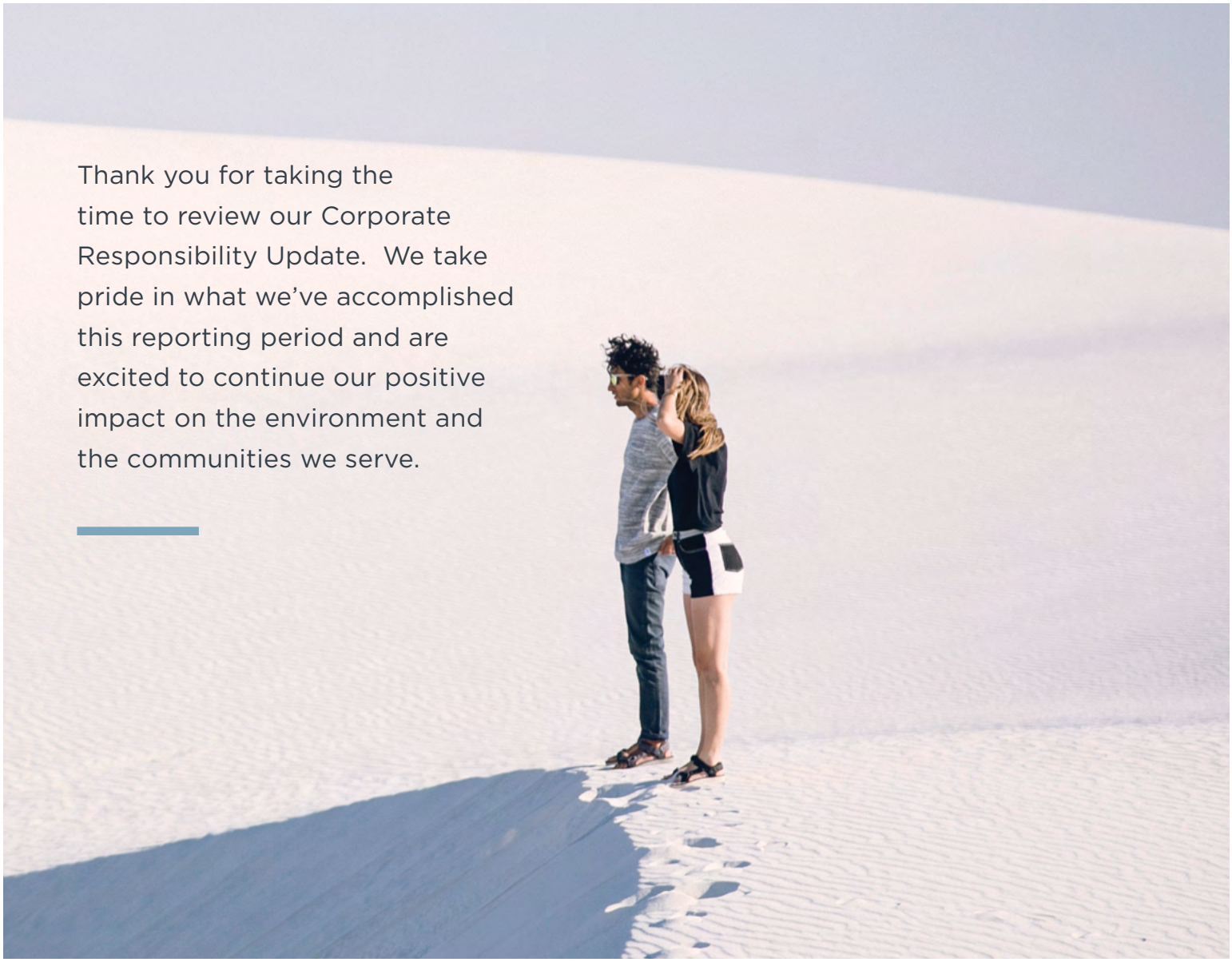
This report is prepared in accordance with the **Global Reporting Initiative** (GRI) core guidelines without external assurance.

For questions about this report please contact **laces@deckers.com**.

MATERIALITY AND STAKEHOLDER ENGAGEMENT

The content for this report was developed through a cross-functional developmental effort, with consideration given to best practices for sustainability reporting. As part of the development of this report, all GRI aspects were considered: Biodiversity, Supply Chain Transparency and Performance, Local Communities, Water, Energy, Animal Welfare, Forced Labor, Child Labor, Raw Materials Sourcing, Public Policy, Product and Service Labeling, Product Environmental Compliance, Product and Service Quality, Product Design and Development, Wages and Benefits, Diversity and Equal Opportunity, Brand Positioning, Chemical Management and Corruption.

WRAP UP



Thank you for taking the time to review our Corporate Responsibility Update. We take pride in what we've accomplished this reporting period and are excited to continue our positive impact on the environment and the communities we serve.

REFERENCES

GRI GUIDELINES AND PRINCIPLES INDEX

ONLINE CONTENT

i. Contracted Manufacturers Map
ii. Historic Reporting