

DECKERS
— BRANDS —

CORPORATE RESPONSIBILITY REPORT

FISCAL YEAR 2016



FOR THE REPORTING PERIOD APRIL 1, 2015 - MARCH 31, 2016

UGG®

KOOLABURRA
BY UGG®

HOKA ONE ONE

Teva

Sanuk

Ahnu®



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WELCOME

■ INTRODUCTION

With a simple idea, passion, and entrepreneurial spirit, a college student recognized the need for casual, comfortable footwear during a time when most were wearing penny loafers and wingtips. Now, more than four decades later, Deckers continues to translate ideas and passions into tangible change and better realities. Our brands were created by passionate people seeking to do things in a better way, whether they were surfers, runners, or outdoor enthusiasts. Similarly, our company, along with our consumers, our peers, and our communities, consist of passionate people seeking to make a positive impact on our world. This concept is at the heart of our FY16 Corporate Responsibility Report.

Deckers recognizes its unique position as a multi-billion dollar company born of humble beginnings. We believe in operating our business with transparency. That's why we launched our Corporate Responsibility Program in 2010. While we recognize that we have a duty to our stakeholders to exceed expectations, we also realize that we need to continue to grow in a way that is considerate of the environment, our employees, and our surrounding communities.

We hope this report highlights the actions we are taking and the goals we are setting to uphold our commitment to good corporate citizenship through community impact, ethical sourcing, and environmental stewardship. We encourage you to follow along with us on this ever-changing journey, and we are eager to share with you the strides we've made to make our program even better.

WELCOME

Be
KIND BOLD
HONEST OPEN
COURAGEOUS

THAT'S THE
DECKERS WAY

■ DECKERS VALUES

At Deckers, bright and talented individuals unite under a common set of core values. These values demonstrate not only how our organization operates internally but also how these values function and translate to our vision of worldwide social responsibility externally.

BE KIND:

Care deeply. Now more than ever is the time to appreciate each other and work towards creating a more empathetic world. Our offices are full of fun-loving people. We encourage a friendly wave and smile when we can. We believe in extending kindness beyond the walls of our offices and into the communities in which we operate.

BE BOLD:

Take chances. An adventurous spirit and a thirst for success can lead an organization (and the world) a long way. We're always searching for new ideas within our organization and around the globe. We hope that our strides in the area of corporate responsibility will set an example for other brands.

BE HONEST:

Accept responsibility. Teaching employees to embrace their mistakes and learn from them is an important lesson, allowing our company to grow and perspective to expand. As an organization with a powerful voice, we recognize that accountability and transparency are incredibly important. We want our communities to trust that we are committed to doing our part to protect not only the environment but also the rights of the workers who create Deckers Brands products.

BE OPEN:

Work together. At Deckers, we stay humble and embrace change. We know that through an open dialogue and honest feedback, we can build better products and take action to be a better corporate citizen.

BE COURAGEOUS:

Challenge yourself. We are not the type of people who settle. We are ready to stand up for what we believe in, be it a better shoe construction or a more sustainable future. We hope you see the parallels between our company's way of life and the Corporate Responsibility Program.

WELCOME

■ JOINT LETTER FROM OUR CEO AND CHAIRMAN

We have had the honor and privilege of being at Deckers Brands for many years. While we've experienced rapid change and growth, we've never lost sight of the things that make us who we are. We believe in good business, the kind that helps our community and our environment and inspires everyone!

We often say, "What got us here won't get us there." It is in this spirit of continuous improvement that we are constantly evolving and challenging ourselves to be better. We have built an entire Corporate Responsibility Program centered on this belief because we have seen firsthand how companies can make a positive difference in the lives of individuals, the environment, and the communities in which they serve.

Deckers employees are rich in different histories and personal experiences, but are united through the shared value that we must create product for our customers while being sensitive to workers' rights and environmental sustainability. In doing so, we will make the world a better place.

In the pages that follow, we will share the story of our Corporate Responsibility Program, illustrating how our passion and our culture will allow us to pursue our goal. This report focuses on our efforts in charitable donations, community engagement, ethical sourcing, and environmental impact. We will also share some of the innovative approaches we're taking to drive sustainable outcomes among the people, processes, and communities we touch.

We are proud of Deckers' passion for social responsibility and of the steps we're taking to positively shape the world. We invite you to actively engage with us and follow our exciting efforts ahead.

Sincerely,



Dave Powers
President and CEO



Angel Martinez
Chairman



Dave Powers



Angel Martinez

BEING DECKERS



BEING DECKERS

WE ARE A FAMILY OF BRANDS

■ OUR BRANDS

We are more than just a footwear company; we are a family of brands developed from simple ideas and passions that empower people to approach life with excitement and zeal. As we work to become better at everything we do, we need to consider the impact of our global footprint. With great teams in place and an enhanced global infrastructure, the stage is set for our organization to take Deckers Brands and our commitment to good corporate citizenship to the next level. Our brands consider social and environmental impacts alongside product quality, which is why we're bringing greater transparency to our sustainability initiatives by communicating them both internally and publically. Get to know our brands further below:



UGG®: The UGG® brand is one of the most iconic and recognized brands in the global footwear industry and highlights our successful track record of building niche brands into lifestyle market leaders. With loyal consumers around the world, the UGG® brand has proven to be a highly resilient line of premium footwear with expanded product offerings and a growing global audience that attracts women, men and children. UGG® brand footwear earns media exposure from numerous outlets both organically and from strategic public relations efforts, including an increasing sound of exposure internationally.



TEVA®: Teva® is our active lifestyle brand, born from the outdoors and rooted in adventure. As the originator of the sport sandal, today the Teva® product line includes casual sandals, shoes, and boots built for ultimate versatility. We are focused on regaining our leadership position in the sandal market, and continuing to expand our casual and women's offerings to appear to a wider range of consumers through utility-driven design, color, and premium materials.

BEING DECKERS



SANUK: Sanuk® is our fun lifestyle footwear brand rooted in surf culture but embraced by an eclectic mix of style-savvy optimists. The Sanuk® brand is probably best known for the patented SIDEWALK SURFERS® shoe and its YogaMat™ and Beer Cozy sandal collections. The brand has a history of innovation, product invention, foot-friendly comfort, unexpected materials, and clever branding. We expect to continue to build on the Sanuk® brand's authentic position in the surf and outdoor markets through its relationships with prominent professional athletes and ambassadors, including surfers, rock climbers, photographers, artists, and musicians known as much for their unique personal styles and charisma as for their specialized talents.



OTHER BRANDS: In addition to our three primary brands, our three other brands include Ahnu®, a line of performance outdoor and yoga footwear which we have discontinued operating as a separate brand and are looking to leverage under the Teva® brand umbrella; Hoka®, a line of footwear for all capacities of runners designed with a unique performance midsole geometry, oversize midsole volume, and active foot frame; and Koolaburra®, a line of fashion casual footwear using sheepskin and other plush materials. With respect to Hoka®, we plan to focus on growing awareness with a broader audience, focusing on women, and telling bold and brave innovative product stories through digital and social communications. We also plan to continue to build on Hoka's authentic position in the specialty running market through relationships with prominent professional athletes and ambassadors. We plan on launching the Koolaburra® line with a targeted group of national footwear retailers and mid-market department stores.



BEING DECKERS

■ OUR GLOBAL PRESENCE

MARKETS SERVED

Deckers Brands products are sold in more than 50 countries and territories through select department and specialty stores, Company-owned and operated retail stores, and select online stores, including Company-owned websites. Additionally, at the wholesale level, we distribute our products in the US through sales representatives, who are organized geographically and by brand.



OPERATIONS

Deckers is a publically traded company on the New York Stock Exchange (NYSE:DECK). We are headquartered in Goleta, California, and have corporate offices across the globe in China, France, Germany, Hong Kong, Japan, Netherlands, United Kingdom, United States, and Vietnam.

OUR SUSTAINABILITY APPROACH



OUR SUSTAINABILITY APPROACH

■ WHAT GOT US HERE WON'T GET US THERE

Inspired by our mantra of “What got us here won’t get us there,” our sustainability methods support our greater vision of being a good corporate citizen while also realizing the need for continuous improvement as we learn and grow. Deckers began its commitment to corporate responsibility in 2010, and as our footprint in the global marketplace continues to expand, our approach to sustainability has also evolved into a company-wide commitment. Following are milestones we are proud to have met during the reporting period FY16 (*April 1, 2015 - March 31, 2016*), as well as our vision for the future of our program.



OUR SUSTAINABILITY APPROACH

FY 16 PERFORMANCE AT A GLANCE

■ COMMUNITY IMPACT:

CHARITABLE DONATIONS

- \$1,197,686.00 donated through Deckers Goods to over 213 non-profit organizations.

DECKERS GOODS

- Employees volunteered 3,678 total hours.
 - North America: 3,156 hours.
 - APAC: 443 hours.
 - EMEA: 79 hours.

FY16

■ ETHICAL SOURCING:

- New Strategic Partnerships:
 - Fair Factories Clearinghouse (“FFC”).
 - HERproject.
 - Responsible Wool Standard Working Group.
- Audit upgrade with FFC and iPads for internal monitors.
- Audit scores visible in PLM which empowers employees to make business decisions based on Supplier/Manufacture audit results.
- In FY16, Deckers or an approved third party audit company audited 89% of our footwear factories; the remaining 11% of our factories provided Deckers satisfactory audit reports from another reputable brand/company which were accepted upon condition due to small volume or low risk geographic location.
- Incorporated social and environmental performance standards into vendor sourcing evaluation.
- Formalized Partner Improvement Program (“PIP”).
- 84.5 hours of trainings provided to third party partners on various ESC related issues.
- 290 hours of trainings provided to third party partners on various RS related issues.
- VOCs reduced approximately to 20g per pair for UGG® branded products and 39g per pair for Teva® branded products.
- Manufacturer/Supplier Annual Compliance Training (includes various topics including, but not limited to, Anti-Corruption, Animal Welfare, Code of Ethics, Restricted Substances, and our Ethical Supply Chain Code of Conduct).

■ ENVIRONMENT:

- In FY16, Deckers donated \$190,036 to environmental impact mitigation. This equals 15.9% of our total charitable donations.
- 98% of all leathers used in Deckers Brands products are sourced from Leather Working Group certified tanneries. Exceeding our planned target of 90%.
- Adopted first responsible paper procurement policy.
- Revised animal welfare policy which was originally adopted in October of 2014.
- Sustainable Materials Focus at our annual Materials Expo in January 2016.
- Began environmental impact study at certain contracted factories.
- Tracked energy usage domestically.
- Continue to work holistically on improving our overall packaging configuration to further reduce waste and optimize costs.

OUR SUSTAINABILITY APPROACH

TARGETS AND IMPROVEMENT INITIATIVES FOR FY17

■ COMMUNITY IMPACT:

CHARITABLE DONATIONS

- Continue our impact in the communities we live through corporate donations. Namely, continuing to contribute:
 - approximately 15% of our total donations on environmental efforts,
 - approximately 25% to nonprofits for educational and academic support, and
 - approximately 60% to making substantial impacts to organizations which focus on youth and serve our local communities.

UGG FOUNDATION

- Officially launch the UGG Foundation to further solidify the brand's and the company's commitment to good corporate citizenship.

DECKERS GOODS

- Continue our impact on the community through corporate volunteer efforts. Meet or exceed our FY16 total volunteer hours (3,678 hours).

FY17

■ ETHICAL SOURCING:

- Expand HERproject women's empowerment initiative to two additional core contracted factories.
- Engage external partners to drive sustainability and transparency across the industry.
 - Increase unannounced audits from 17% to 30% in FY17.
 - Increase engagement of external partners to perform ESC audits.
- At least 75% of paper packaging derived from recycled material or sources that practice sustainable forest management.

- Work toward the elimination of SCCP's in our Supply Chain.
- Continue to further reduce VOCs in Deckers brands products. By 2019, we plan to reduce VOCs for Teva® branded products to 25g per pair and, for all other Deckers brands, we hope to reduce VOCs to 20g per pair.
- Increase our Restricted Substances related trainings by 10.5% to approximately 320 hours in FY17.
- Increase our Ethical Supply Chain related trainings by 20% to approximately 93.5 hours in FY17.

■ ENVIRONMENT:

- Measure cardboard recycling efforts by ton.
- Further expand chemicals management and awareness training.

- Increase use of environmentally preferred materials.
- Deepen materials traceability.
- Finalize Greenhouse Gas/Carbon Accounting Study.

OUR SUSTAINABILITY APPROACH

GREAT THINGS CAN HAPPEN!

■ GOVERNANCE

When Deckers began as a company, the idea of a Deckers Family just worked. We know that when you collaborate, great things can happen! That's why we have a newly established governing committee made up of passionate employees from various business units, which will in turn ignite the culture of corporate responsibility throughout our organization. We are excited about this new cross-departmental structure, and we intend to establish this structure in FY17.

The goal of Deckers' Corporate Citizenship Council is, in part, to have an interdisciplinary team of leaders representing business units across Deckers, who (1) work to identify sustainability issues which are material to our business, (2) establish key performance goals, (3) engage internal and external stakeholders, and (4) communicate progress accordingly as needed.

Leaders from across the organization - in planning, global sourcing, product development, human resources, legal, distribution logistics, brand marketing, and omni-channel customer experience - will participate in the Council and underlying working groups.

Members of the Corporate Citizenship Council will lead larger working groups that will implement, and report on, progress of the activities and tasks that execute our sustainability strategy.



OUR SUSTAINABILITY APPROACH



- The **DECKERS GOODS WORKING GROUP** addresses corporate citizenship from a community investment and impact perspective.
- The **ENVIRONMENTAL STEWARDSHIP WORKING GROUP** focuses on our use and impact on natural resources and the environment.
- The **ETHICAL SOURCING WORKING GROUP** addresses human rights and our sourcing decisions.

The Corporate Citizenship Council will meet on a quarterly basis. Sustainability issues will be brought to the Executive Leadership Team through periodic reports by Deckers' SVP, General Counsel and Compliance Officer. Sustainability issues 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.

OUR SUSTAINABILITY APPROACH

■ PARTNERSHIPS

Sustainability is a global challenge, one that a single company cannot face alone. However, through our partnerships, we believe we can have a greater impact and achieve more sustainable business practices. 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 sustainability issues. By investing in the power of the collective, we trust that together we can make the world a better place. Please read below to learn about some of the various organizations Deckers partnered with in FY16.



RESPONSIBLE WOOL STANDARD INTERNATIONAL WORKING GROUP

Deckers is an advisory member of the [Responsible Wool Standard International Working Group](#). In 2015, Deckers joined other brands, animal welfare groups, farmers, and supply chain members and the Textile Exchange to develop the forthcoming [Responsible Wool Standard](#). The Responsible Wool Standard is a global standard that will protect animal welfare, influence best practices of farmers, ensure traceability, and ultimately give consumers clear and trustworthy information which can help guide their buying preferences.



HERPROJECT

Deckers has partnered with [BSR](#) to bring the award-winning peer-to-peer women's health education program, HERproject, to our supply chain. HERproject is a global public-private partnership to empower low-income working women in global supply chains through workplace-based programs, capacity building of local civil society, and advocacy with business and government. HERproject has been recognized as a leading innovation for women's health by the UN Every Woman, Every Child initiative. Operating in 14 countries with nearly 50 international companies, 300 factories and farms, 20 civil society partners, and multiple health-care providers, HERproject has improved the well-being, confidence, and economic potential of more than 310,000 women, and contributed to better health behavior and outcomes for as much as a million of their family and community members.

OUR SUSTAINABILITY APPROACH



FAIR FACTORIES CLEARINGHOUSE

Deckers is a member of **Fair Factories Clearinghouse (FFC)**, an online platform that stores Deckers' Ethical Supply Chain social compliance audit reports, tracks corrective actions which factories take to remediate non-compliance issues, and connects Deckers with other brands that manufacture in the same factories.



CERES

Deckers is a member company of **Ceres**, a non-profit advocacy group for sustainability leadership made up of a network of investors, companies, and public interests groups. Goals include igniting a sustainable global economy, advancing corporate sustainability, mobilizing investor action, and researching education and thought leadership.



LEATHER WORKING 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.



OUTDOOR INDUSTRY ASSOCIATION

Deckers is a member of the **Outdoor Industry Association ("OIA")**, the leading trade association and voice of the outdoor recreation industry. The OIA helps benefit the industry by advocating for issues critical to the future of the outdoor industry, building stronger business leaders, and growing the active outdoor community.



AMERICAN APPAREL AND FOOTWEAR ASSOCIATION

Deckers is a member of the **American Apparel and Footwear Association**, the national trade association representing apparel, footwear, and other sewn-products companies and their suppliers, which compete in the global market.

OUR SUSTAINABILITY APPROACH



SOLES4SOULS

Deckers partners with **Soles4Souls**, which collects used and unwanted shoes and distributes them all over the world. Since 2006, Soles4Souls has collected and distributed 26 million pairs of shoes to those in need in 127 countries around the world and all 50 states in the U.S.



GOOD360

Deckers works with **Good 360**, a non-profit that partners with our retail stores to donate shoes to local charities.



CONSERVATION ALLIANCE

Teva® is a member of the **Conservation Alliance**, a group of companies committed to conserving open spaces and wilderness. Grants go to conservation efforts and help to ensure the outdoors are preserved for future generations. Teva® has sponsored this organization for over a decade. The Conservation Alliance has, to date, helped to protect 45 million acres, 2,972 river miles, has removed or halted 28 dams, purchased 11 climbing areas, and designated 5 marine reserves. Deckers feels strongly that this is one of the best organizations focused on environmental conservation efforts.



UNIVERSITY OF CALIFORNIA

BREN SCHOOL OF ENVIRONMENTAL SCIENCE & MANAGEMENT

Deckers Brands has developed a partnership with the **Bren School**, where we work with graduate students obtaining their master's degree in Environmental Science. Research studies have included a life cycle assessment of our products and an evaluation of the environmental impact of our supply chain.

OUR PEOPLE, OUR CULTURE



OUR PEOPLE, OUR CULTURE

OUR SUCCESS DEPENDS ON OUR PEOPLE

Deckers Brands give our customers and our employees the freedom to do what matters most to them. **Be Kind, Bold, Honest, Open, and Courageous** – that’s the Decker’s way. Our employees are dynamic and driven individuals who are constantly striving toward continuous improvement in both their personal and professional lives.

■ BENEFITS

Deckers’ success depends on having highly motivated, high-performing, and diverse employees. Deckers prides itself on offering programs that make coming to work enjoyable and encourage a healthy work-life balance. We offer a variety of tools and programs to foster career development and reward and recognize employees. Our families are global, at different stages of life, and have specific individual needs. Understanding that, we provide flexible programs to help each person as they move through life. At the end of the day, we care about our people and want them to know how valued they are to our organization. The range of benefits available includes, but is not limited to, the following:



- Health, vision, and dental insurance
- Flexible spending accounts
- Family resources
- Life and accident insurance
- Disability insurance
- Retirement savings plan
- Employee stock purchase plan
- Vacation time and holidays
- Group legal plan
- Tuition reimbursement
- Employee purchase program
- Employee referral program
- Employee donation matching program
- Coastal housing partnership
- Product discounts
- Onsite fitness center
- Onsite outdoor equipment
- Onsite massage services
- Onsite salon services
- Onsite carwash services

OUR PEOPLE, OUR CULTURE

■ PROFESSIONAL GROWTH AND DEVELOPMENT TARGETS

Continuous improvement has always been at our core here at Deckers. Deckers supports, develops, and invests in our employees, because we believe that when our people are engaged, Deckers can achieve great things. In 2015, our executive leadership team requested each employee to dedicate 20% of their time to development. Development goals are included alongside annual measurable business objectives and are evaluated as part of the annual performance review process. All full-time employees receive regular performance and career development reviews.



Deckers also provides learning and development opportunities in-person and on-line through Deckers' internal engagement platform, Zeno. In FY16, Deckers' Learning and Engagement team offered 522 courses, an increase from the 433 courses offered in FY15.

Deckers supports employees who pursue further education with its tuition reimbursement program available for U.S. based employees. Under Deckers tuition reimbursement program, U.S. based employees are eligible to receive up to \$5,000 per calendar year of reimbursement funds.

OUR PEOPLE, OUR CULTURE



The L.A.C.E.S. Team is available for contact at laces@deckers.com

■ ETHICS AND INTEGRITY

At the heart of Deckers are our values. These values explain our overarching beliefs that guide the way we do business, including our commitment to be transparent, operate with high ethical conduct, and maintain strong stakeholder relations. We want to provide support to our employees and business partners so that we can make good choices and be proud of the way we conduct ourselves. The L.A.C.E.S. team, which stands for Leaders in Accountability through Compliance, Empowerment, and Support, operates internally to serve that function. By developing programs, trainings, and policies, the L.A.C.E.S. Team helps employees maintain an ethical work environment and empowers them to continue to make good choices.

CODES, POLICIES, AND PROCEDURES

Deckers has a **Code of Ethics** which guides employees on ethical conduct. We believe it is our responsibility to protect our consumers, the people who make our products, and the environment. That's why we have **developed codes and policies** to guide the behavior we expect of ourselves and our business partners. All Deckers employees complete training on our Code of Ethics and our Anti-Corruption Policy. Additionally, we train employees on a variety of other topics including, but not limited to, Data Privacy, PCI, Regulation Fair Disclosure, and Harassment in the workplace. Trainings are administered online, and refresher courses are completed regularly over the course of employment at Deckers.

We also extend our core values to our business partners and require our manufacturing partners, materials suppliers, and licensees to comply with our compliance policies including our Code of Ethics, ESC Supplier Code of Conduct, Animal Welfare Policy, Anti-Corruption Policy, Paper and Forest Product Procurement Policy, Conflict Minerals Policy, and Restricted Substances Policy as a condition of doing business with Deckers. We require business partners to certify their compliance with our codes and policies annually. In FY16, we launched this training and certification *online* to better support our business partners' understanding of the expectations outlined in our codes and policies.



OUR PEOPLE, OUR CULTURE



CORRUPTION AND BRIBERY

In addition to extending our core values to our business partners, we also evaluate all business partners for risks related to corruption and bribery. We take great pride in our work, and we want to succeed on our merits. We expect our employees and business partners to never engage in or promote corruption or bribery, regardless of local customs. It's important that we follow all applicable anti-corruption laws, including the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act. We must never give, promise, or offer bribes, kickbacks, other improper cash payments, or anything else of value to government officials, civil servants, or anyone else with the ability to influence them. In FY16, all employees were trained on Deckers' anti-corruption policies and procedures, and we are happy to report that there were no confirmed incidents of corruption in FY16.

HOTLINE

Deckers additionally offers a hotline service for employees in contracted factories to be able to report concerns anonymously. Our ethics line is free, in most countries confidential, and available 24/7 to employees around the world. We also have an open door policy and encourage employees to feel comfortable approaching management about any grievance they may have. While all employees have the freedom to associate, in FY16 none of Deckers employees were engaged in collective bargaining agreements.

NON-RETALIATION

Deckers strictly prohibits retaliation against any person for reporting in good faith a possible violation or participating in an investigation involving possible misconduct.

OUR COMMUNITY IMPACT



OUR COMMUNITY IMPACT

Key Accomplishments in FY16

FY16



\$1,197,686.00

DONATED THROUGH DECKERS GOODS TO
OVER **213** NON-PROFIT ORGANIZATIONS



EMPLOYEES VOLUNTEERED
3,678 TOTAL HOURS



NORTH AMERICA: **3,156** HOURS.
APAC: **443** HOURS
EMEA: **79** HOURS

■ VOLUNTEERING AND CHARITABLE GIVING

Deckers is made up of generous and compassionate people who enjoy connecting with their local communities. We encourage and support employee efforts by offering all full-time employees, worldwide, 24 hours of paid time to volunteer. Team-building activities that benefit charitable causes occur frequently on our corporate campuses therefore making it easy for our employees to give back. In FY16, we hosted two food packing events in partnership with [Stop Hunger Now](#). Stop Hunger Now's assembly process combines rice, soy, dehydrated vegetables, and a packet containing 23 essential vitamins and minerals into

small meal packages. The meals are shipped throughout the world to support school feeding programs, orphanages, and crisis relief. Deckers packed 30,240 meals during these two food packing events, which fed approximately 30,240 school children.

Our regional offices work with many local organizations to provide assistance to those in need. In fact, our Japan-based team donated clothing to [Japan Relief Clothing Center](#), which not only reduced waste but provided valuable clothing for those in need. We are excited to work with our regional teams in FY17 to report on additional international charitable contributions.



OUR COMMUNITY IMPACT

BELOW ARE JUST SOME OF THE MANY OTHER LOCAL DOMESTIC CHARITABLE ORGANIZATIONS WE MADE AN IMPACT WITH IN FY16:



United Boys & Girls Clubs of SB County - Locally provides four locations in Goleta, Lompoc, Carpinteria and Santa Barbara (in addition to Camp Whittier) where boys and girls can come after school (and on Saturdays) for tutoring, mentoring, sports, and free meals.



Girls, Inc. of Greater Santa Barbara - Program at two locations in Goleta and Santa Barbara. Program inspires girls to be strong, smart, & bold. Offers after-school and summer programs for girls including classes in cooking, science, art, sports, computer lab, library, and performing arts. The program also offers after-school homework help and tutoring.



SB Zoo - Donation used toward building a Discovery Pavilion, which is a new space that allows for lectures, viewing into the Zoo kitchen where they prepare the food for over 500 animals, and also houses the Kids Activity Zone. In FY17, Deckers is sponsoring Zoo4U, which will subsidize a program for kids that normally cannot afford to visit the zoo to come with their schools for animal and conservation education.



MOXI (The Wolfe Museum of Exploration and Innovation) - MOXI will be the only museum between San Francisco and Los Angeles that offers interactive exhibits in science and creativity. It is still under construction and is opening at the end of calendar year 2016.



Santa Barbara Children's Library - Deckers donation helped to build out the children's library on the first floor of the Santa Barbara Public Library. Helps to support a child's love for reading, as well as offers literacy programs for both kids and their parents.



Santa Barbara Scholarship Foundation - The foundation gave 2,948 scholarships in 2015 totaling \$8.7M.

OUR COMMUNITY IMPACT

ICE IN PARADISE

Ice in Paradise - Provides a new community recreational facility in the Tri Counties for families and kids. Recreational facilities are much needed in our community to keep youth focused and off the streets.



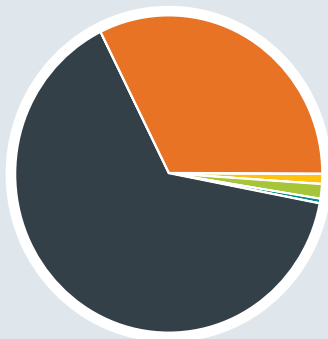
Foodbank of Santa Barbara County - Foodbank collaborates with 300 other non-profits in SB County to provide food and nutrition education, serving over 147,000 people in our community in 2015.



AHA!- Stands for Attitude, Harmony, and Achievement - AHA! is a program for at-risk teens, which helps to improve attitude, increase social harmony, and bridge the achievement gap for teenagers.



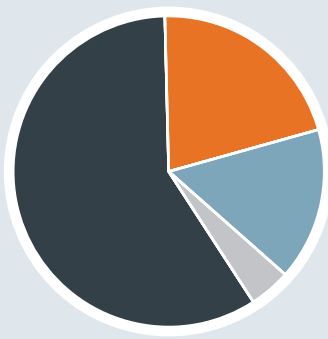
Santa Barbara Museum of Natural History - This organization is now 100 years old and is a pillar in our community providing science, nature, and archeology exhibits and educational programs for all ages.



DONATIONS BY GEOGRAPHIC LOCATION

FY2016

- FLAGSTAFF OFFICE
- IRVINE OFFICE
- RICHMOND OFFICE
- GOLETA (HQ)
- NATIONAL & INTERNATIONAL ORGANIZATIONS



DONATIONS BY AREA OF SUPPORT

FY2016

- COMMUNITY
- EDUCATION
- ENVIRONMENT
- EMPLOYEE MATCHING DONATIONS

In addition to the charitable organizations Deckers supports on a corporate level, we also match employees' charitable donations dollar-for-dollar up to \$1,000 every year. In FY17, our corporate giving team who we fondly refer to as "Deckers Goods," will begin an impact assessment of our corporate grants to allow us to better evaluate how we contribute to the communities in which we operate.

OUR ETHICAL SOURCING



OUR ETHICAL SOURCING

As a company who truly values its employees, Deckers strives to do its part to ensure workers all over the globe are treated fairly and are able to conduct their work in a safe environment. We respect internationally recognized human rights and environmental standards and place them at the core of our day-to-day business practices.

Key Accomplishments in FY16

- New Strategic Partnerships:
 - Fair Factories Clearinghouse (“FFC”).
 - HERproject.
 - Responsible Wool Standard Working Group.
- Audit upgrade with FFC and iPads for internal monitors.
- Audit scores visible in PLM which empowers employees to make business decisions based on Supplier/Manufacture audit results.
- In FY16, Deckers or an approved third party audit company audited 89% of our footwear factories; the remaining 11% of our factories provided Deckers satisfactory audit reports from another reputable brand/company which were accepted upon condition due to small volume or low risk geographic location.
- Incorporated social and environmental performance into vendor sourcing evaluation.
- Formalized Partner Improvement Program (“PIP”).
- 84.5 hours of trainings provided to third party partners on various ESC related issues.
- 290 hours of trainings provided to third party partners on various RS related issues.
- VOCs reduced approximately to 20g per pair for UGG[®] branded products and 39g per pair for Teva[®] branded products.
- Manufacturer/Supplier Annual Compliance Training (includes various topics including, but not limited to, Anti-Corruption, Animal Welfare, Code of Ethics, Restricted Substances, and our Ethical Supply Chain Code of Conduct).

FY16

■ ETHICAL SUPPLY CHAIN: HUMAN RIGHTS AND ENVIRONMENT IN MANUFACTURING

Like many other footwear and apparel companies, Deckers does not own its own factories. Instead, we outsource the production of our products to independent manufacturers primarily located in Asia. Nonetheless, we ensure that the rights of all workers in our supply chain are protected. As a prerequisite to doing business with us, we require all manufactures, suppliers, agents, and licenses to complete our Annual Compliance Training which sets forth our compliance expectations.

OUR ETHICAL SOURCING

Our Ethical Supply Chain Supplier Code of Conduct, one of our many **Corporate Responsibility codes and policies**, requires our business partners to comply with all local laws and regulations governing human rights, working conditions, and the environment. Specifically, our Ethical Supply Chain Supplier Code of Conduct includes guidelines related to forced labor, child labor, fair wages and benefits, hours of work, non-discrimination, harassment or abuse, freedom of association/collective bargaining, health and safety, environment, and assessments and monitoring. Because we know this is not enough, we also have established grievance channels in each factory so that factory workers can report any grievances they may have. In FY16, only eight grievances were filed. These were all addressed and resolved in a timely manner.



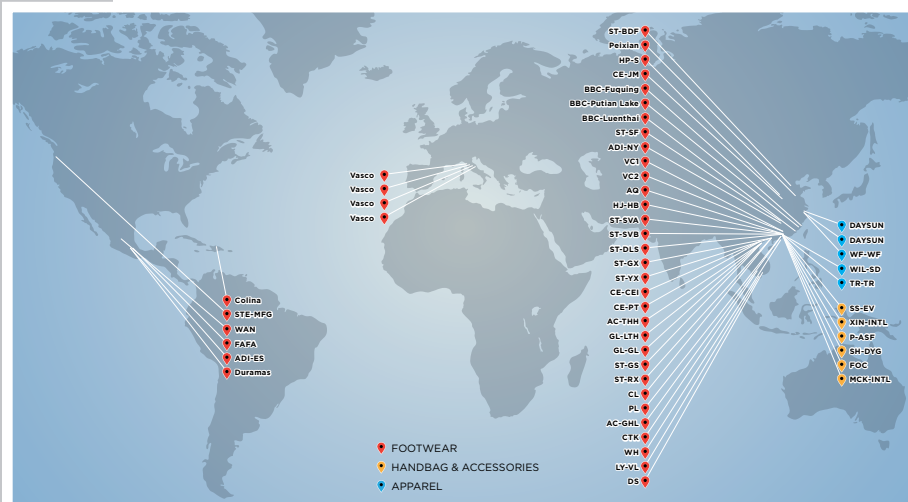
The production of footwear by our independent manufacturers is performed in accordance with our specifications and is subject to our strict quality control standards. We maintain a buying office in Hong Kong and an on-site supervisory office in Pan Yu City, China. These offices together serve as a link to our independent manufacturers. Having offices in these strategic locations enables us to carefully monitor the production process from each stage of the product's life cycle.

Deckers manufactures in China, Vietnam, Cambodia, India, El Salvador, Columbia, United Kingdom, Italy, and the United States. In FY16, Deckers used **Worldwide Governance Indicators (“WGI”)** to create and adopt a Permitted Sourcing Country Policy. Our Permitted Sourcing Country Policy aids us in our assessment of risk for manufacturers and suppliers by region.

OUR ETHICAL SOURCING

Some notable changes since our 2014 Corporate Responsibility Report include, but are not limited to, the following: (1) partnering with buying agents to better manage Deckers home and apparel line expansions, (2) expanded our footwear manufacturing into Vietnam, and (3) to better align our brands, we relocated both our Sanuk® and Hoka® brands from satellite offices in Irvine and Richmond, California to our corporate HQ in Goleta, California.

DECKERS BRANDS GLOBAL FACTORY LOCATIONS



DRIVING FOR IMPROVEMENT

DRIVING CONTINUOUS IMPROVEMENT

We know that simply signing a certification and completing a compliance training is not enough to ensure full compliance. That is why our Ethical Supply Chain team goes beyond simply monitoring factories—they drive the ongoing improvement of working conditions. In FY16, Deckers or an approved third party audit company audited 89% of our footwear factories; the remaining 11% of our factories provided Deckers satisfactory audit reports from another reputable brand/company which were accepted upon condition due to small volume or low risk geographic location.

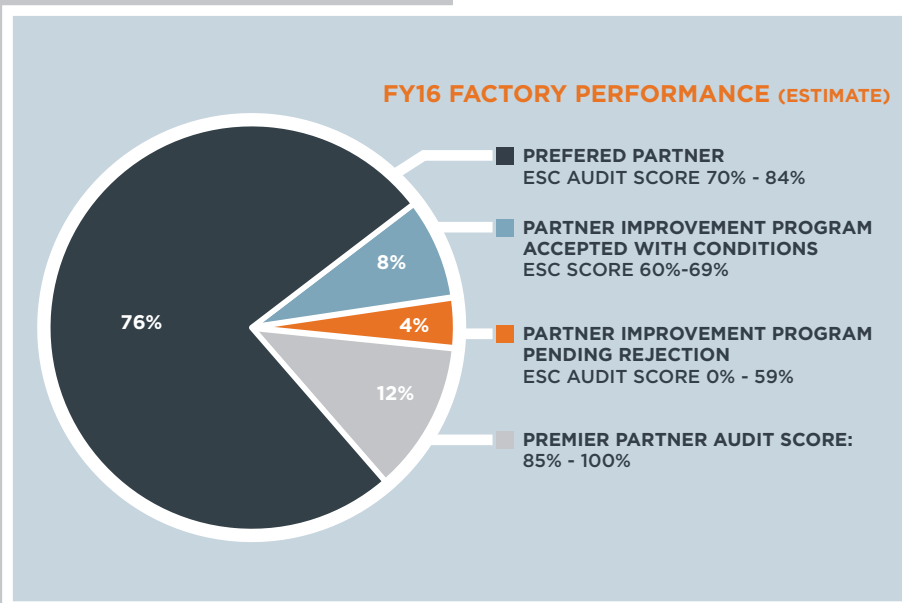
Deckers requires transparent participation during site visits. Performance audits are based on **International Labor Organization** core labor standards and are conducted on our factories annually by Deckers-authorized compliance auditors or accredited third-party auditors.

OUR ETHICAL SOURCING

Audits include a thorough facility inspection, employee interviews, and a review of factory records including payroll, operating licenses, and employee personnel files. In FY16, we launched a new Deckers ESC audit standard, which was developed with guidance from social compliance leaders, UL Responsible Sourcing and The Cahn Group. Our revised audit standards include questions which directly link to our [Ethical Supply Chain Supplier Code of Conduct](#).

Each time auditors visit a facility, team members use our revised standardized audit criteria. After evaluation, each factory receives a rating. Factories that score above 85% are considered Premier Partners, factories that score between 70-84% are considered Preferred Partners, and factories that score below 69% do not pass an audit and are automatically enrolled in Deckers Partner Improvement Program (“PIP”).

We believe that the best kind of business is transparent. As such, in FY16, we integrated our ESC audit performance scores into our Product Lifecycle Management (“PLM”) system for the first time. This helps to empower our designers and developers to consider social compliance performance alongside quality and costing when placing orders. Doing the right thing for us means directing orders to factories with higher social compliance performance whenever possible.



Deckers requires that factories engaged in production of Deckers Brands products meet and maintain the minimum compliance standards outlined in the ESC Supplier Code of Conduct. We are pleased to report that in FY16, approximately 76% of our primary partners (*meaning our Tier 1 Suppliers and primary Tier 2 tanneries and outsole suppliers*) met Deckers Preferred Partner standards, and 12% of our primary partners achieved Premier Partner standards.

OUR ETHICAL SOURCING

Through our FY16 Audits, we were able to identify some opportunities for improvement that will guide our targets in future years:

- **Benefits:** Social insurance and other benefits may not always be provided fully as required by law. We hope to continue working with our factories to further educate them on these requirements in FY17.
- **Chemical Management:** We plan on hosting additional training and education sessions dedicated to educating our contracted factories on the proper labeling, storage, handling, and disposal of hazardous chemicals.

PARTNER IMPROVEMENT PROGRAM (“PIP”)

Factories who do not meet our strict compliance standards are enrolled in our Ethical Supply Chain Partner Improvement Program, which includes additional training and more frequent monitoring to help drive continuous improvement. Deckers PIP is focused on remediating non-compliance issues and establishing systems and protocols to support greater social compliance performance.

Factories enrolled in a PIP are required to complete a Corrective Action Plan (“CAP”), remediate non-compliance issues identified in a specified timeframe (generally 30 to 90 days), and must commission a follow-up audit with a Deckers-approved third party monitor so that the corrective actions taken can be adequately validated.

Participation in Deckers PIP is required for any factory that scores 69% or below on an audit. In FY16, only 12% of our primary partners were enrolled in our partner improvement program, and we hope to see this percentage continue to decrease in FY17. Failure to remedy prioritized non-compliance issues can result in the *immediate* loss of authorization to produce Deckers Brands products and/or loss of future business. Reinstatement to manufacture Deckers Brands products *may be* requested but only twelve (12) months after the date such authorization was withdrawn. The reinstatement request must include an audit report conducted by a Deckers-authorized third party monitor within the prior six (6) month period.



OUR ETHICAL SOURCING

TRAINING

In FY16, our Ethical Supply Chain team conducted approximately 84.5 hours of trainings to third party partners on various ESC related issues. Subjects covered include, but are not limited to, the following: local laws, change in local legislation, CAP's, and occupational health and safety. In FY 17, we hope to increase our Ethical Supply Chain related trainings by 20% to approximately 93.5 hours in FY17.



COLLABORATION

We believe in the power of being collaborative. By openly collaborating with other brands, Deckers strives toward improvement in both our own factories we use to produce Deckers Brands and the larger overall industry as a whole.

- Deckers is a member of **Fair Factories Clearinghouse (FFC)**, an online platform which stores Ethical Supply Chain social compliance audit reports, tracks corrective actions, and connects Deckers with other brands who manufacture in the same factories.
- In FY16, Deckers collaborated with six outside third parties, including other brands, on various topics including external audits and ongoing PIP projects.
- In FY16, Deckers kicked off its partnership with BSR's peer-to-peer women's health education program, **HERproject**, to invest in the wellbeing of women working in our supply chain.

OUR ETHICAL SOURCING

■ OUR MATERIALS

Deckers prides ourselves in making products that are unique and built for purpose and comfort. This pride is carried over into both the materials and the craftsmanship that go into our products. The most used material by weight for Deckers Brands is sheepskin followed by cardboard.



SHEEPSKIN AND LEATHER

Deckers takes great care to source sheepskin and leather that meet our high standards for quality, environmental impact, and animal welfare. All of our brands benefit from our centralized materials sourcing team which allows for traceability in our supply chain. In FY16, 98% of all leathers used in Deckers Brands products were sourced from **Leather Working Group** certified tanneries, exceeding our originally planned target of 90%.

The Leather Working Group (“LWG”) audits and certifies tanneries’ performance based on strict environmental criteria and standards. In order to become LWG certified, a tannery must undergo an extensive review carried out by third-party auditors. The audit process covers several sections, including restricted substances, operating permits, energy consumption, air emissions, waste management, environmental management systems, water usage, and effluent treatment.



OUR ETHICAL SOURCING



UGGPURE™

Since 1978, UGG® has employed the finest standards of craftsmanship, using a variety of premium materials that feel like nothing else. Luxuriously soft UGGpure™ is wool woven into a durable backing. Approximately 85% of the wool woven into our proprietary UGGpure™ textile is repurposed trim from the shearing used in the uppers of our boots and apparel. The UGGpure™ textile is used in many of our footbeds and home textiles, extending the warmth and comfort of UGG®.



WOOL

Most of the wool used in Deckers products is a byproduct of our shearing, which is a byproduct of the food industry, and is highly regulated for animal welfare. Deckers believes mulesing is cruel and inhumane and does not source sheepskin from sheep that have been mulesed. Further, Deckers does not accept 100% Merino wool from Australia due to the practice of mulesing by some farmers in that region.

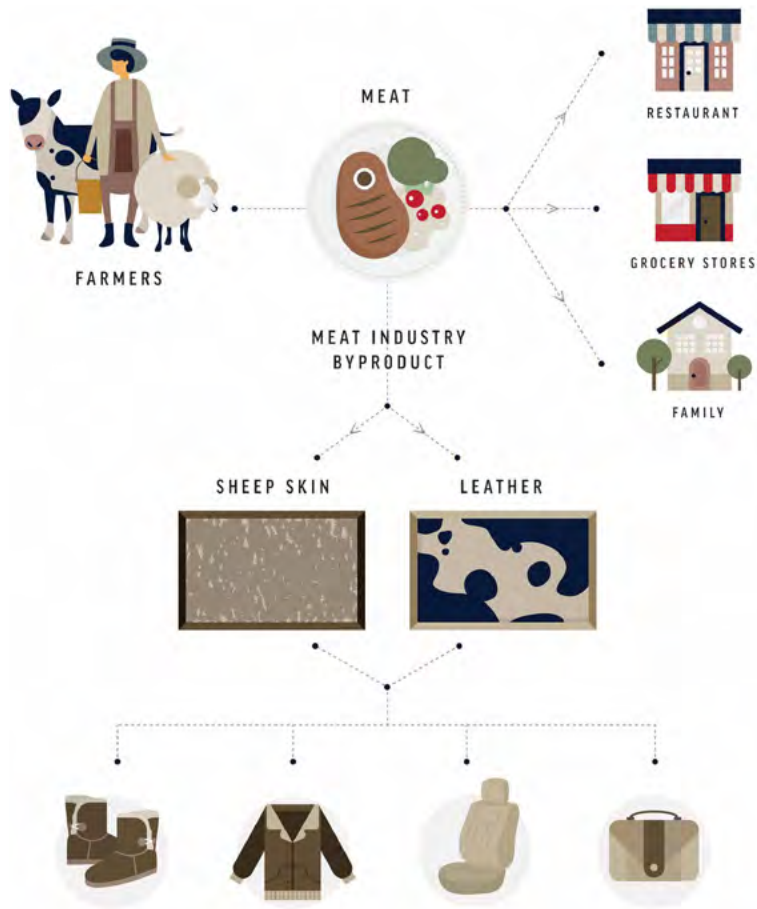
We are aware that there is a general lack of transparency with regard to wool sourcing. It is a challenge that we face as a brand and as a larger footwear and apparel industry. However, Deckers is dedicated to being part of the solution. In FY16, Deckers joined the **Responsible Wool Standard (RWS) International Working Group**. Deckers alongside other brands, animal welfare

groups, farmers, and supply chain members and the Textile Exchange are working together to develop the forthcoming Responsible Wool Standard, which is a global standard that will protect animal welfare, influence best practices, ensure traceability, and ultimately give consumers clear and trustworthy information to allow them to make responsible choices.

OUR ETHICAL SOURCING

ANIMAL WELFARE

Deckers is strictly opposed to animal cruelty and requires all suppliers to use humane animal treatment and certify their compliance with our **Animal Welfare Policy**, which was updated in FY16 to take into consideration feedback gained from Ceres. We define sound husbandry as the internationally recognized Five Freedoms¹. For more information regarding Deckers' position on Animal Welfare please see: <http://www.ugg.com/animal-welfare-faq.html>.



¹ “The Five Freedoms”, Royal Society for the Prevention of Cruelty to Animals, accessed December 2, 2015. <https://www.rspca.org.uk/servlet/Satellite?blobcol=urlblob&blobheader=application/pdf&blobkey=id&blobtable=RSPCABlob&blobwhere=1210683196122>

OUR ETHICAL SOURCING

CARDBOARD AND PAPER

With cardboard as our second largest material purchase by volume, we take sourcing of our paper and forest products seriously. In FY16, Deckers adopted a **Paper and Forest Procurement Policy** to outline our expectations and goals for responsible paper and forest product sourcing across our organization. The policy details steps we will take to eliminate high-risk fiber sources, establish a system to trace chain-



of-custody of fiber, and increase the use of post-consumer recycled content where possible. We prefer a minimum of 30% post-consumer recycled content and fiber products that are chlorine free. We have set a target of procuring at least 75% of paper packaging derived from recycled material or sources that practice sustainable forest management by 2020.

METALS

Deckers is committed to ensuring full compliance with Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Section 1502 addresses “conflict minerals” namely, *tin (derived from cassiterite)*, *tantalum (derived from columbite-tantalite)*, *tungsten (derived from wolframite)*, and *gold*. The Act requires all publically traded companies to report to the U.S. Security and Exchange Commission and disclose on its website whether any conflict minerals, which are necessary to the functionality of the product, are sourced in the Democratic Republic of Congo (DRC) or neighboring countries. Deckers is committed to sourcing its products in a socially and environmentally responsible manner. We only work with those suppliers who share in our commitment to sourcing responsibly. To that end, Deckers requires all suppliers to cooperate with our efforts to determine the source of any conflict minerals. We expect our suppliers to source these minerals from areas outside the DRC or neighboring countries.

OUR ETHICAL SOURCING

RESTRICTED SUBSTANCES

We are committed to ensuring that all of the materials used in our products are safe for workers, our customers, and for the environment.



Our **Restricted Substances List** (RSL) outlines testing limits for all Deckers Brands products and details all chemical substances that are legally restricted globally. In FY16, there was a RS materials test failure rate of only 9%.

To reduce the instances of failure, our Restricted Substances team launched a new training program for our suppliers and manufacturers. In FY16, Deckers RS Team worked tirelessly to host 290 hours of trainings aimed at further educating our business partners on RS matters. These trainings covered a variety of

topics including, but not limited to, Deckers RS policy, CPSIA regulations, RS compliance best practices, analysis of failures and corrective action plans, technical support, case studies, and contamination prevention. In FY17, we anticipate a reduction in the failure rate as a result of these trainings. Further, we plan on increasing our Restricted Substances related trainings by approximately 10.5% to 320 hours in FY17.

Our Ethical Supply Chain team works in partnership with our Restricted Substances team to ensure that materials in our products meet strict global product safety requirements and chemicals are properly transported, stored, discarded, and handled during production. In FY16, our banned chemical list was updated to include 16 additional chemicals.

OUR ETHICAL SOURCING

Our factories' RS performance is evaluated based on an assessment of overall RS management including an audit of policies and procedures, the frequency of testing failures, corrective action plan remediation efforts, and participation in trainings led by Deckers' Restricted Substances team.

We are proud to report that in FY16, all of our business partners performed at a preferred partner or above level with regard to RS compliance.

VOLATILE ORGANIC COMPOUNDS

Deckers is committed to ensuring safe working conditions. Emissions of volatile organic compounds ("VOC") are found in adhesives and solvents used in the manufacturing process and can cause health complaints including irritation to eyes, nose, and throat.



In 2015, an interdisciplinary team of leaders from Deckers Restricted Substances Team, Ethical Supply Chain Team, and Quality Control Team partnered with our adhesive and solvent suppliers and contracted factories to evaluate VOC emissions and, where possible, switch to water-based cement systems.

As a result, VOC emissions were reduced significantly to approximately 20g per pair for UGG® branded products and 39g per pair for Teva® branded products. Our goal is to continue to reduce VOCs in our Teva® branded products and other Deckers brands products in FY17.

OUR ENVIRONMENTAL IMPACT



Key Accomplishments in FY16

FY16



- In FY16, Deckers donated **\$190,036** to environmental impact mitigation.
 - This equals **15.9%** of our total charitable donations.



- **98%** of all leathers used in Deckers Brands products are sourced from Leather Working Group certified tanneries. Exceeding our planned target of **90%**.

- Adopted first responsible paper procurement policy.
- Revised animal welfare policy which was originally adopted in October of 2014.
- Sustainable Materials Focus at our annual Materials Expo in January 2016.
- Began environmental impact study at certain contracted factories.
- Tracked energy usage domestically.
- Continue to work holistically on improving our overall packaging configuration to further reduce waste and optimize costs.



Deckers' roots are grounded in the outdoors, where many of our brands make it possible to enjoy an active lifestyle. As a company, we gladly support the protection of the outdoors through charitable giving and volunteering to various organizations focused on conservation efforts. However, as a producer of footwear and apparel, Deckers realizes our manufacturing affects the environment that our company and communities love and enjoy. We recognize that we have a responsibility to implement operational efficiencies to benefit the environment now, and for future generations to come.

In FY16, Deckers donated \$190,036 to environmental impact mitigation. This equals 15.9% of our total charitable donations. As an organization who is interested in protecting our environment, we hope to continue these mitigation efforts into FY17 and beyond.

OUR ENVIRONMENTAL IMPACT

WE HAVE A RESPONSIBILITY

We know that caring for the environment means paying close attention to our operations, and when possible, making choices that consume less natural resources and leave a lighter footprint. To better identify our energy and greenhouse gas footprint, in 2011, Deckers partnered with a third party to conduct a snap-shot assessment of the company's energy usage across operations. We learned that Deckers' carbon footprint was most heavily impacted by the emissions generated by our materials (64%), followed by our manufacturing (19%), and transportation (15%). While this study provided us with valuable insight on the energy usage during that year, we learned that we needed more current information in order to further drive change.



In FY16, we started a project to establish a system to track our energy usage. We began to monitor energy usage in our retail stores and offices located in the United States. Additionally, we have begun to train our manufacturing partners to submit quarterly energy usage data to us. We know that our resources are limited, and we are committed to creating systems to better track our usage.

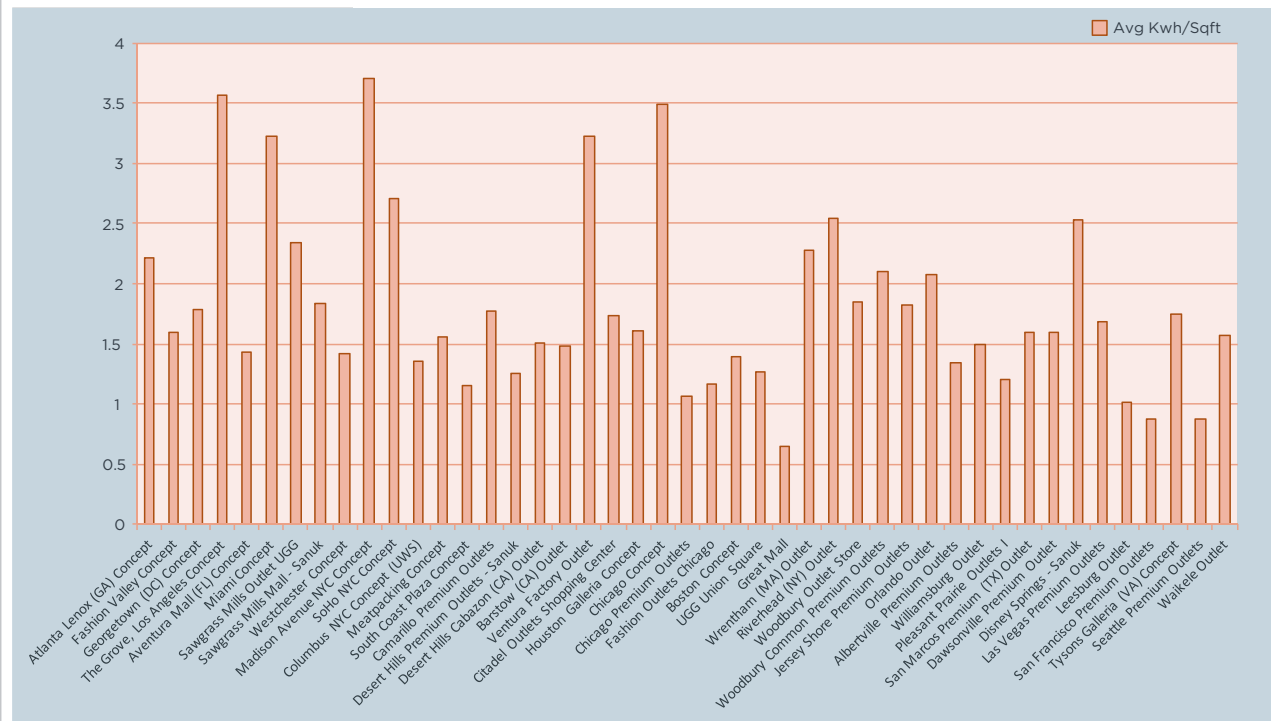
OUR ENVIRONMENTAL IMPACT

ENERGY USAGE

FACILITIES

In FY16, Deckers tracked its energy usage at our corporate HQ as well as at our retail stores located in the United States. We tracked the monthly kilowatt usage at each location and were able to approximate the monthly kilowatt usage per square foot at our retail store locations (see diagram below). By adding the average monthly Kwh use at each retail location tracked (approximately 268,886 Kwh) and dividing it by the total square footage for all stores tracked (approximately 148,740 Sqft), we were able to estimate the retail store average use of 1.9077 Kwh/Sqft. We were also able to determine that our 190,000 square foot corporate HQ averages approximately 0.9558 Kwh/Sqft per month. In FY17 and beyond, we hope to broaden this effort to include our corporate offices and retail store locations globally.

U.S. RETAIL STORE KWH USE PER SQUARE FOOT



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

OUR ENVIRONMENTAL IMPACT

OPERATIONS

Our corporate headquarters is a LEED certified building, implementing focused energy use reductions and the procurement of renewable energy sources. Deckers also strives to partner with third parties who support our strong commitment toward renewable energy. That is why in 2015, Deckers partnered with **SUPERNAP** who runs our data center on 100% renewable energy. In addition to the Uptime Institute's Tier IV Gold standards, SUPERNAP meets and exceeds the standards of IEEE, ANSI, ASHRAE, 24/7, ISO 9001, SAS 70/SSAE-16, BICSI, the Green Grid Association and more.



At Deckers, we encourage employees to carpool and find alternatives to driving a vehicle. 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.

OUR ENVIRONMENTAL IMPACT

MANUFACTURING

We have successfully partnered with 80% of our primary business partners to track their energy usage and have developed clear expectations regarding proper data collection methodologies. Of those partners we worked with, in FY16, we were able to determine an average kilowatt usage per pair of to be 2.25. Our goal is that by FY17, we will be able to further reduce energy consumption among these select partners by 5%.



EMISSIONS

GREENHOUSE GAS/CARBON ACCOUNTING:

In FY17, we will work to finalize our Greenhouse Gas/Carbon Accounting Study. Deckers will follow the assumptions and guidelines outlined in the [Greenhouse Gas Protocol](#) for calculating emissions to estimate our direct greenhouse gas emissions.

OTHER SIGNIFICANT AIR EMISSIONS:

We recognize that there is also an opportunity to reduce, or eliminate, other significant air emissions. As such, our Restricted Substances and Ethical Supply Chain teams worked diligently together to reduce VOCs by approximately 20g per pair for UGG® branded products and 39g per pair for Teva® branded products. In FY17, we hope to further reduce VOCs in our Teva® branded products. We also hope to continue these VOC reduction efforts in other Deckers Brands products.

OUR ENVIRONMENTAL IMPACT

■ WATER

Water is an essential element to the environment and overall human survival. It is also a natural resource used in the production of footwear and apparel. Decker realizes its



responsibility to be mindful of its water usage, and where possible, reduce water usage and educate ourselves, and our constituents, on possible water conservation efforts. Our commitment to water conservation can be seen through our charitable gifts to water conservation organizations and, at our corporate headquarters, through the following LEED performance indicators:

- **WEC3: WATER USE REDUCTION**

High efficiency dual flush water closets, lavatory faucets, low-flow kitchen faucets, and shower heads are projected to use approximately 35% less water than a baseline compliant building in the United States.

- **WEC1: WATER EFFICIENT LANDSCAPING**

The combination of drought tolerant plants and high efficiency drip irrigation is estimated to use 61% less potable water than a conventional landscape and irrigation design.

- **SSC6.2 STORMWATER DESIGN QUALITY CONTROL**

The use of bioswales and wetlands is designed to naturally filter 90% of suspended solids from storm water runoff.



OUR ENVIRONMENTAL IMPACT

■ WASTE

REDUCTION

Deckers offices, distribution centers, and retail stores have implemented waste diversion programs which encourage employees to recycle, compost, print double-sided to save paper, and process electronic payment as opposed to paper invoices. Additionally, each year, Deckers recognizes its **Corporate Responsibility**

Heroes. These Corporate Responsibility Heroes are employees who go *beyond* their job description to create better

business efficiencies which further reduce Deckers' overall environmental impact. These employees are publically honored for their ingenuity and creativity.



REDUCING OUR FOOTPRINT



Finally, in FY16 we evaluated whether we could partner with a waste management company to measure our waste diversion efforts by volume. Unfortunately, those waste management companies that offer those services do not serve our area and, as such, we are unable to measure these efforts accurately. However, in FY17 we hope to report on our cardboard recycling efforts by volume at our corporate HQ.

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 and help to close the loop of our product lifecycle. Since 2006, in partnership with Soles4Souls, Deckers has donated 704,090 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 FY16, Deckers donated 82,781 pairs of shoes to Soles4Souls. Deckers also donates shoes to Good360, a non-profit organization which distributes shoes to local charities throughout the United States. Since 2014, the start of our partnership with Good360, Deckers has donated 5,747 pairs of shoes. In FY16, Deckers donated 2,710 pairs of shoes to Good360.

ABOUT THIS REPORT



ABOUT THIS REPORT

Effective March 31, 2014, Deckers' Board of Directors authorized a change in fiscal year end to March 31 from December 31. Based on the seasonality of the business and the timing of the fall pre-book process, the change in fiscal year gives the company greater visibility into projecting revenue growth, planning expenses, and incorporating the results from the holiday season into product, merchandising, and marketing initiatives for the upcoming year. Deckers has committed to aligning sustainability goal-setting and reporting with the annual financial reporting to further demonstrate our commitment to corporate responsibility.

FY16 included the acquisition of Koolaburra® and the divestment of the Mozo and Tsubo brands. While these changes impacted our portfolio of brands, our centralized product maintained our strong commitment to community impact, ethical sourcing, and environmental stewardship.

This report covers sustainability initiatives and achievements during FY16 Beginning April 31, 2015 and ending March 31, 2016. This report marks the alignment of our sustainability reporting cycle aligned with our annual financial reporting. Our prior report was released in November of 2014 and included updates from work completed since the sustainability program's inception in 2008.

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 and feedback gained from stakeholder engagement sessions hosted by Ceres. As a member of Ceres, Deckers seeks their support to facilitate external stakeholders' review of our sustainability initiatives and reporting practices.

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 read our FY2016 Corporate Responsibility Report. Deckers is proud of what we have accomplished in this reporting period, however we stand by our mantra that “What got us here won’t get us there.” We know that our stakeholders—our employees, community members, and shareholders—expect us to do the right thing by investing in our people, our communities, and the environment. We hope that through this report, you can see our continuing company-wide commitment to being a good corporate citizen.



REFERENCES



REFERENCES

■ GRI GUIDELINES AND PRINCIPLES INDEX

GRI PERFORMANCE INDICATORS		
GRI	QUESTION SUMMARY	RECOMMENDED LOCATION IN REPORT IF MATERIAL
STRATEGY AND ANALYSIS: REQUIRED SECTION		
G4-1	Statement from CEO about the relevance of sustainability to Deckers and the strategy to address sustainability.	I. Welcome, c. Joint Letter from our CEO and Chairman
G4-2	Provide a description of key impacts, risks, and opportunities.	III. Our Sustainability Approach, a. What got us Here Won't Get Us There, i. Performance, ii. Targets
ORGANIZATIONAL PROFILE: REQUIRED SECTION		
G4-3	Report the name of the organization.	I. Welcome, a. Introduction
G4-4	Report the primary brands, products, and services.	II. Being Deckers, a. Our Brands
G4-5	Report the location of the organization's headquarters.	II. Being Deckers, b. Our Global Presence, ii. Operations
G4-6	Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	II. Being Deckers, b. Our Global Presence, ii. Operations
G4-7	Report the nature of ownership and legal form.	II. Being Deckers, b. Our Global Presence, ii. Operations
G4-8	Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	II. Being Deckers, b. Our Global Presence, i. Markets Served
G4-9	Report the scale of the organization, including: total number of employees, total number of operations, net revenues, quantity of products or services provided.	http://ir.deckers.com/phoenix.zhtml?c=91148&p=irol-reportsAnnual
G4-10	Report the total number of employees by employment contract and gender, the total number of permanent employees by type and gender, total workforce and supervised workers by gender, total workforce by region and gender, contractors, and seasonal variations in workforce.	http://ir.deckers.com/phoenix.zhtml?c=91148&p=irol-reportsAnnual
G4-11	Report the percentage of employees covered by collective bargaining agreements.	IV. Our People, Our Culture, c. Ethics and Integrity
G4-12	Describe the organization's supply chain.	VI. Our Ethical Sourcing, a. Ethical Supply Chain: Human Rights and Environment in Manufacturing

REFERENCES

G4-13	Report any significant changes in the supply chain during the reporting period: changes in location, facility opening/closing, structure, selection and termination of suppliers.	VI. Our Ethical Sourcing, a. Ethical Supply Chain: Human Rights and Environment in Manufacturing
G4-14	Report whether and how the precautionary approach or principle is addressed by the organization.	III. Our Sustainability Approach, a. What got us Here Won't Get Us There
G4-15	List externally developed economic, environmental and social charters, principles or initiatives to which the organization subscribes or which it endorses.	VI. Our Ethical Sourcing, a. Ethical Supply Chain: Human Rights and Environment in Manufacturing
G4-16	List memberships of associations (such as industry associations).	III. Our Sustainability Approach, c. Partnerships
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES (required)		
G4-17	List all entities included in the organization's consolidated financial statements or equivalent documents.	II. Being Deckers, b. Our Global Presence, ii. Operations
G4-18	a. Explain the process for defining the report content and the Aspect Boundaries. b. Explain how the organization has implemented the Reporting Principles for Defining Report Content.	VIII. About This Report, a. Materiality
G4-19	List all the material Aspects identified in the process for defining the report content.	VIII. About This Report, a. Materiality
G4-20	For each material Aspect, report if the aspect is material within the organization.	VIII. About This Report, a. Materiality
G4-21	For each material Aspect, report if the material Aspect is outside of the organization.	VIII. About This Report, a. Materiality
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for restatements.	VIII. About This Report
G4-23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.	VIII. About This Report
STAKEHOLDER ENGAGEMENT: REQUIRED SECTION		
G4-24	Provide a list of stakeholder groups engaged by the organization.	III. Our Sustainability Approach, c. Partnerships
G4-25	Report the basis for identification and selection of stakeholders with whom to engage	III. Our Sustainability Approach, c. Partnerships

REFERENCES

G4-26	Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	VIII. About This Report a. Materiality and Stakeholder Engagement
G4-27	Report key topics and concerns that have been raised through stakeholder engagement and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns.	VIII. About This Report a. Materiality and Stakeholder Engagement
REPORT PROFILE: REQUIRED SECTION		
G4-28	Reporting period (such as fiscal or calendar year) for information provided.	Cover Page
G4-29	Date of most recent previous report (if any).	VIII. About This Report
G4-30	Reporting cycle (such as annual, biennial).	VIII. About This Report
G4-31	Provide the contact point for questions regarding the report or its contents.	VIII. About This Report
G4-32	<p>a. Report the 'in accordance' option the organization has chosen.</p> <p>b. Report the GRI Content Index for the chosen option</p> <p>c. Report the reference to the External Assurance Report, if the report has been externally assured.</p>	VIII. About This Report
G4-33	Report the organization's Policy and current practice with regard to seeking external assurance for the report.	VIII. About This Report
GOVERNANCE: REQUIRED SECTION		
G4-34	Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environment and social impacts.	III. Our Sustainability Approach, b. Governance
G4-35	Report the process for delegating authority for economic, environmental, and social topics from the highest governance body to senior executives to other employees.	III. Our Sustainability Approach, b. Governance
G4-36	Report whether the organization has appointed an executive-level position(s) with responsibility for economic, social and environmental topics, and whether post holders report directly to the highest governance body.	III. Our Sustainability Approach, b. Governance

REFERENCES

G4-37	Report processes for consultation between stakeholders and the highest governing body on economic, social and environmental topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body.	III. Our Sustainability Approach, b. Governance
G4-38	Report the composition of the highest governance body and its committees.	http://www.deckers.com/investors/sec-filings?group=Proxy%20Filings
G4-39	Report whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organization's management and the reason for this arrangement).	http://www.deckers.com/investors/sec-filings?group=Proxy%20Filings
G4-40	Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members	http://www.deckers.com/investors/sec-filings?group=Proxy%20Filings
G4-41	Report processes for the highest governance body to ensure conflicts of interest are avoided and managed.	http://www.deckers.com/investors/sec-filings?group=Proxy%20Filings
G4-42	Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts.	http://www.deckers.com/investors/sec-filings?group=Proxy%20Filings
G4-43	Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental, and social topics.	III. Our Sustainability Approach, b. Governance
G4-44	a. Report the processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics. Report whether such evaluation is independent or not, and its frequency. Report whether such evaluation is a self-assessment. b. Report actions taken in response to evaluation, of the highest governance body's performance with respect to governance of economic, environmental and social topics, including, as a minimum, changes in membership and organizational practice.	III. Our Sustainability Approach, b. Governance

REFERENCES

G4-45	<p>a. Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks and opportunities.</p> <p>b. Report whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental and social impacts, risks, and opportunities.</p>	III. Our Sustainability Approach, b. Governance
G4-46	Report the highest governance body's role in reviewing effectiveness of the organization's risk management process for economic, environmental and social topics.	III. Our Sustainability Approach, b. Governance
G4-47	Report the frequency of highest governance body's review of economic, environmental and social impacts, risks and opportunities.	III. Our Sustainability Approach, b. Governance
G4-48	Report the highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered.	III. Our Sustainability Approach, b. Governance
G4-49	Report the process for communicating critical concerns to the highest governance body.	III. Our Sustainability Approach, b. Governance
G4-50	Report the nature and total number of critical concerns that were communicated to the highest governance body and the mechanisms used to address and resolve them.	III. Our Sustainability Approach, b. Governance
G4-51	Report the remuneration policies for highest governance body and senior executives.	http://www.deckers.com/investors/sec-filings?group=Proxy%20Filings
G4-52	Report the process for determining remuneration.	http://www.deckers.com/investors/sec-filings?group=Proxy%20Filings
G4-53	Report how stakeholder's views are sought and taken into account regarding remuneration, including the results of votes on remuneration.	http://www.deckers.com/investors/sec-filings?group=Proxy%20Filings
G4-54	Report the ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country.	http://www.deckers.com/investors/sec-filings?group=Proxy%20Filings
G4-55	Report the ratio of percentage increase in annual total compensation for the highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country.	http://www.deckers.com/investors/sec-filings?group=Proxy%20Filings

REFERENCES

ETHICS AND INTEGRITY: REQUIRED SECTION		
G4-56	Describe the organization's values, principles, standards and norms of behavior, code of conduct and code of ethics.	IV. Our People, Our Culture, c. Ethics and Integrity
G4-57	Report the internal and external mechanisms for seeking advice on ethical and lawful behavior and matters related to integrity such as helplines.	IV. Our People, Our Culture, c. Ethics and Integrity
G4-58	Report the internal and external mechanisms for reporting concerns, line management, whistleblowing mechanisms, or hotlines.	IV. Our People, Our Culture, c. Ethics and Integrity
CATEGORY: DISCLOSURES ON MANAGEMENT APPROACH (OPTIONAL)		
G4-DMA	<p>a. Report why the Aspect is material. Report the impacts that make this Aspect material.</p> <p>b. Report how the organization manages the material Aspect or its impacts.</p> <p>c. Report the evaluation of the management approach.</p>	III. Our Sustainability Approach, b. Governance
CATEGORY: ECONOMIC (OPTIONAL)		
G4-EC1	<p>a. Report direct economic value generated and distributed</p> <p>b. Report EVG&D per region.</p>	Reference 10K FY15 10K pg. 33 (see updated 10k for FY16)
G4-EC2	Report risks and opportunities posed by climate change that have the potential to generate substantive changes in operations, revenue or expenditure.	VII. Our Environmental Impact
G4-EC3	Coverage of the organization's defined benefits plan obligations.	Recommend this is not material.
G4-EC4	Financial Assistance received from the government.	Recommend this is not material.
G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	Recommend this is not material.
G4-EC6	Proportion of senior management hired from the local community at significant locations of operation.	Recommend this is not material.
G4-EC7	Development and impact of infrastructure investments and services supported.	Recommend this is not material.
G4-EC8	Significant indirect economic impacts, including the extent of impacts.	Recommend this is not material. (Could address TPP if we anticipate it to change our business dramatically)
G4-EC9	Proportion of spending on local suppliers at significant locations of operation.	Recommend this is not material.

REFERENCES

CATEGORY: ENVIRONMENTAL (OPTIONAL)		
MATERIALS: ENVIRONMENTAL(OPTIONAL)		
G4-EN1	Materials Used by Weight or Volume.	VI. Our Ethical Sourcing, b. Our Materials
G4-EN2	Percentage of materials used that are recycled input materials.	VI. Our Ethical Sourcing, b. Our Materials
ENERGY: Environment (OPTIONAL)		
G4-EN3	Energy Consumption within the organization: Total fuel, electricity, heating, cooling, steam, energy sold, etc.	VII. Our Environmental Impact, a. Energy & Greenhouse Gas i. Facilities
G4-EN4	a. Report energy consumption outside of the organization. b. Report standards, methodologies, and assumptions used. c. Report the source of the conversion factors used.	VII. Our Environmental Impact, a. Energy & Greenhouse Gas ii. Operations
WATER (OPTIONAL)		
G4-EN8	Total Water Withdrawal by source.	VII. Our Environmental Impact, b. Water
G4-EN10	Percentage and total volume of water recycled and reused.	VII. Our Environmental Impact, b. Water
BIODIVERSITY; Environment (OPTIONAL)		
G4-EN11	Operational sites owned, leased, managed in or adjacent to protected areas and areas of high biodiversity value outside protected areas.	VII. Our Environmental Impact, b. Water
EMISSIONS (OPTIONAL)		
G4-EN15	Direct greenhouse gas emissions (GHG).	VII. Our Environmental Impact, a. Energy & Greenhouse Gas, iv. Emissions
G4-EN16	Energy indirect GHG emissions.	VII. Our Environmental Impact, a. Energy & Greenhouse Gas, iv. Emissions
G4-EN17	Other Indirect GHG emissions.	VII. Our Environmental Impact, a. Energy & Greenhouse Gas, iv. Emissions
G4-EN18	GHG Emission Intensity Ratio.	VII. Our Environmental Impact, a. Energy & Greenhouse Gas, iv. Emissions
G4-EN20	Emissions of Ozone-Depleting Substances (ODS).	VII. Our Environmental Impact, a. Energy & Greenhouse Gas, iv. Emissions
G4-EN21	Other significant air emissions (NOX, SOX, POP, VOC, HAP, PM).	VII. Our Environmental Impact, a. Energy & Greenhouse Gas, iv. Emissions
EFFLUENTS and WASTE: Environment (OPTIONAL)		
PRODUCTS AND SERVICES: Environment (OPTIONAL)		
G4-EN28	Percentage of products sold and packaging materials that are reclaimed by category.	VII. Our Environmental Impact, c. Waste

REFERENCES

TRANSPORT: Environment (OPTIONAL)		
G4-EN30	Significant environmental impact of transporting products and other goods and materials, transporting members of the workforce.	VII. Our Environmental Impact, a. Energy & Greenhouse Gas, ii. Operations
Supplier Environmental Assessment (OPTIONAL)		
G4-EN32	Percentage of new suppliers that were screened using environmental criteria.	VI. Our Ethical Sourcing
Category: Labor Practices and Decent Work (OPTIONAL)		
EMPLOYMENT: Labor Practices and Decent Work(OPTIONAL)		
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees by significant regions of operation.	IV.. Our People, Our Culture, a. Benefits
TRAINING AND EDUCATION: Labor Practices and Decent Work(OPTIONAL)		
G4-LA9	Average hours of training per year per employee by gender and employee category.	IV.. Our People, Our Culture, b. Professional Growth and Development Targets
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category.	IV. Our People, Our Culture, b. Professional Growth and Development Targets
Ethical Sourcing For Labor Practices: Labor Practices and Decent Work(OPTIONAL)		
G4-LA14	Percentage of new suppliers that were screened using labor practices criteria.	VI. Our Ethical Sourcing, a. Ethical Supply Chain: Human Rights and Environment in Manufacturing
G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken.	VI. Our Ethical Sourcing, a. Ethical Supply Chain: Human Rights and Environment in Manufacturing
LABOR PRACTICES GRIEVANCE MECHANISMS: Labor Practices and Decent Work (OPTIONAL)		
G4-LA16	Number of grievances about labor practices filed, addressed and resolved through formal grievance mechanisms.	VI. Our Ethical Sourcing, a. Ethical Supply Chain: Human Rights and Environment in Manufacturing
Category: Human Rights(OPTIONAL)		
INVESTMENT: Human Rights(OPTIONAL)		
G4-HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening.	VI. Our Ethical Sourcing, a. Ethical Supply Chain: Human Rights and Environment in Manufacturing
G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations including the percentage of employees trained.	VI. Our Ethical Sourcing, a. Ethical Supply Chain: Human Rights and Environment in Manufacturing, iii. Training
Freedom of Association and Collective Bargaining: Human Rights(OPTIONAL)		
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights.	VI. Our Ethical Sourcing, a. Ethical Supply Chain: Human Rights and Environment in Manufacturing

REFERENCES

Child Labor: Human Rights (OPTIONAL)		
G4-HR5	Operations and suppliers identified as having significant risk for incidents of Child Labor, and measures taken to contribute to the effective abolition of child labor.	VI. Our Ethical Sourcing, a. Ethical Supply Chain: Human Rights and Environment in Manufacturing
Forced or Compulsory Labor: Human Rights (OPTIONAL)		
G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor and measures to contribute to the elimination of all forms of forced or compulsory labor.	VI. Our Ethical Sourcing, a. Ethical Supply Chain: Human Rights and Environment in Manufacturing
Supplier Human Rights Assessment: Human Rights (OPTIONAL)		
G4-HR10	Percentage of new suppliers that were screened using human rights criteria.	VI. Our Ethical Sourcing, a. Ethical Supply Chain: Human Rights and Environment in Manufacturing
Local Communities: Society (OPTIONAL)		
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments and development programs.	V. Community Impact, a. Volunteering and Charitable Giving
Anti-Corruption: Society (OPTIONAL)		
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified.	IV. Our People, Our Culture, c. Ethics and Integrity
G4-SO4	Communication and Training on Anti-Corruption Policies and Procedures.	IV. Our People, Our Culture, c. Ethics and Integrity
G4-SO5	Confirmed incidents of corruption and actions taken.	IV. Our People, Our Culture, c. Ethics and Integrity

■ ONLINE CONTENT

- [Contracted Manufacturers Map](#)
- [Historic Reporting](#)