

## **Skechers USA Limited – UK Tax Strategy – Year ending 31 December 2017**

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### **Background**

This tax strategy document applies to all UK taxes applicable to Skechers USA Limited (“Skechers UK”), and is published pursuant to requirements imposed by Schedule 19 Finance Act 2016 and will be reviewed annually.

### **Introduction to the group**

Skechers UK is a wholly-owned subsidiary of Skechers USA, Inc. (“Skechers USA”), a US company based in Manhattan Beach, California, and publicly traded on the New York Stock Exchange under stock ticker symbol SKX. Skechers UK’s financial results are included in the publicly reported consolidated financial statements of Skechers USA, which are subject to audit under US Generally Accepted Accounting Principles (GAAP) and to regulation by the US Securities and Exchange Commission (SEC). The quarterly and annual audited financial statements of Skechers USA are available through the SEC website:

[www.sec.gov](http://www.sec.gov).

Skechers UK distributes Skechers-branded footwear, apparel and accessories throughout the UK and Ireland. All Skechers-branded footwear, apparel and accessories are manufactured by unrelated, independent, contract manufacturers, and is purchased and imported into the UK and Ireland for resale at wholesale to department stores and specialty retailers and for resale at retail through Skechers UK’s own retail locations.

### **Tax governance and approach to tax risk management**

Skechers USA employs a team of degreed and highly experienced tax professionals in the head office who advise the company’s officers and upper management on global tax matters and tax policy. Global tax policy is set in the US by the vice president of tax in consultation with management and in consultation with external tax advisors in the US, the UK, and throughout the world. Tax policy is implemented locally in the UK by the Skechers UK finance team in consultation with local tax advisors who also assist Skechers UK with tax compliance and related tax inquiries. Skechers UK and its tax advisors assess tax risks on an ongoing basis, reviewing the tax implications of material business transactions and the impact of new legislation.

As part of their annual and quarterly audits, Skechers USA and Skechers UK review their global tax positions and transfer pricing policies to identify and address any current or potential tax risks. This quarterly review is conducted by Skechers USA’s tax team in the US in consultation with Skechers UK’s local finance department and with Skechers UK’s local tax advisors. To the extent any UK tax risks are identified, the issue and actions to be taken would be discussed with management, with external tax advisors, and with Skechers USA’s Audit Committee.

Skechers USA and Skechers UK frequently seek external tax expertise to address the tax risks associated with significant new tax developments (such as recent changes in UK tax law). This tax expertise is further supported by the hiring and ongoing training of qualified tax and finance professionals to implement any action required by new tax risks as they may arise.

#### **Attitude to tax planning and acceptable level of tax risk**

Skechers USA and Skechers UK both endeavor to conduct operations in a tax-efficient manner while ensuring compliance with both local and international tax law and regulations. All related party transactions are conducted at “arm’s length,” and in compliance with transfer pricing regulations.

Skechers USA and Skechers UK both work to minimize their tax risks where possible, and to the extent it is deemed necessary, to address any underlying uncertainty through advance pricing agreements with local tax authorities, and in some cases through the provision of tax reserves to address any potential exposure. To date, Skechers UK has not needed to enter into any advance pricing agreements or provide for any tax reserves.

#### **Relationship with HMRC**

Skechers UK stays current and is current with all its tax filings. Skechers UK’s tax filings are subject to enquiry (audit) and review by HMRC. It is important to Skechers UK to cooperate fully with all such enquiries and Skechers UK endeavors to respond to all such audits and related inquiries in an open and timely manner. Skechers UK strives to maintain good relations with HMRC.