

## **Does Skullcandy have a written supplier code of conduct or a comparable set of business principles to monitor its manufacturers?**

Yes, Skullcandy's Supplier Code of Conduct includes globally binding rules applicable to every factory where Skullcandy products are produced. The code outlines requirements in the areas of child labor, forced labor, health and safety, work hours, and benefits, along with environmental requirements.

## **How do you select your factories?**

Quality, business factors (technologies, skill, location, price, customer service, ability to deliver on time); and environmental and social performance are the factors that we consider.

Our Supplier Social Responsibility team operates alongside our sourcing and quality departments to work with factories when their practices do not meet our social and/or environmental standards. Failure to meet our minimum standards in any way automatically disqualifies a factory from being considered for new business from Skullcandy. When evaluating our supply chain social responsibility performance, we evaluate the extent to which our factories' practices meet or exceed the standards set in our Supplier Code of Conduct. We also consider the extent to which factory managers are willing to work with to improve areas in which their factories have room to improve.

## **How much contact do you have with your factories?**

Our sourcing and quality teams visit a large percentage of factories in of our supply chain on an ongoing basis. Team members are in daily e-mail and phone contact with factories. We engage the services of third-party auditors to visit the factories to review their operations for a variety of factors and concerns. Skullcandy's design, development and production staffs are also in constant e-mail contact with our factories and visit them frequently. Skullcandy quality and sourcing team members are being trained to recognize and report human rights and health and safety noncompliances in the factories.

## **Where does Skullcandy manufacture its products?**

When we develop a new product, we look worldwide to find factories with the skills and equipment to do a quality job and deliver on time at a competitive price while doing the least environmental harm and treating workers fairly. You may view the country of origin labels on our products to get an idea for where our products are made.

## **Does Skullcandy work in countries like China that have poor human rights and environmental records?**

We believe in choosing factories wisely and in engaging constructively with them. Some of the countries in which we work, including China, have poor-to-mixed records for protecting the environment and workers' rights. The U.S.'s record is better, but not as good – in some cases not nearly as good – as either

the E.U.'s or Japan's. We've made the choice not to disengage automatically from countries on the basis of their deficiencies. Skullcandy cannot change the work culture or government policies of the countries we do business in, but we work with factories that have gone through our due diligence to ensure they adhere with all relevant international and country of origin laws, as well as our own standards articulated in our Supplier Code of Conduct.

### **Do children make your products?**

Our Supplier Code of Conduct requires that all of our factories comply with local law, but even if local law allows it, we will work with no factory that employs workers under 15, the minimum age acceptable to the International Labor Organization. Our Code of Conduct prohibits the employment of workers for excessive hours or in hazardous conditions. We will commence pre-screening (January 2013) our factories for social responsibility before any orders are placed: this includes a check for child labor. If child labor is found in our factories, we will work with the factory to bring them into compliance with our Code.

### **What happens if a factory is found to be out of compliance with Skullcandy's Supplier Code of Conduct?**

We have begun engaging professional third-party auditors to perform most of our social audits. A social audit report describes factory compliance with the requirements of our Code and local law. These reports will go to our Supplier Social Responsibility team for review. If noncompliance is identified at a factory, then we will work with the factory's management to develop a corrective action plan, including a timeline for reaching full compliance. On occasions where problems are particularly serious, we will engage a factory directly in a continuous improvement process that includes further audits, longer-term training and onsite help to resolve the issues. It's also important that the factory take responsibility for its shortcomings and work actively to correct them.

### **Will Skullcandy ever sever relations with factories found to be out of compliance with its Supplier Code of Conduct?**

Yes we will, as a last resort. But because the goal of our program is to safeguard and improve workers' rights, it is our policy to work with factories to correct social problems and promote better practices. As a factory customer we can have a positive influence; as an outsider we would have little or no leverage. Leaving a factory usually leads to further deterioration of workplace conditions and can result in layoffs. Should a factory ultimately be unwilling or unable to meet our requirements, we would terminate our relationship.