



Kings Of Indigo®



Social Report 2017

Kingsofindigo.com

Reporting period January 2017 - December 2017



FWF member since 2013

Kings of Sustainability

The ultimate goal is to be the number one sustainable jeans brand in the world! We produce quality products that are long lasting, durable pieces. We stimulate people to be selective in what they buy and to wear their clothing for more than just a season or two.

Offering quality clothing is key, but we have to look ahead. We produce quality wear for the next era, which means finding new, more sustainable ways to produce. This is our top priority. We try to take a leading role in this, inspiring other brands to follow us when it comes to sustainable production. This is why we are 100% transparent about every step of the production chain. Customers and other denim manufacturers can easily read where we buy our fabrics, stitch our garments and wash our jeans. We reveal all suppliers here so one can see exactly what road our garments have travelled.

This social report covers our work for the financial year starting from January 2017 to December 2017.

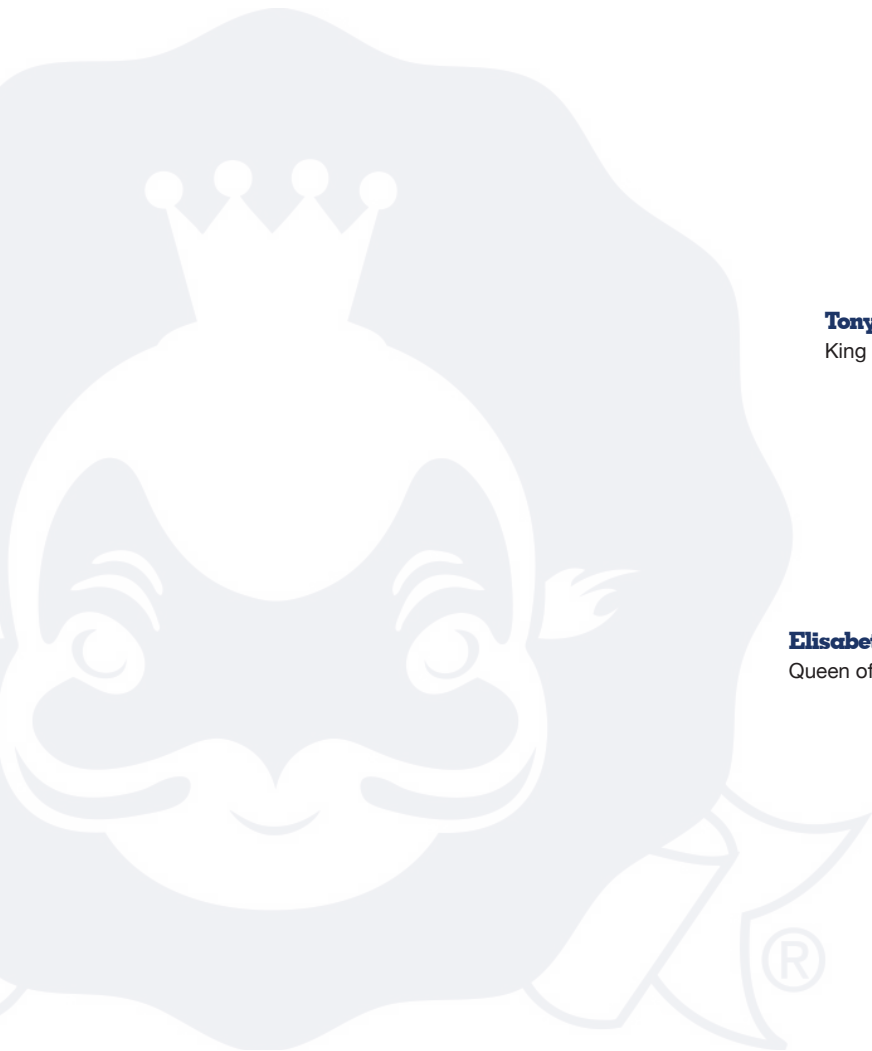


“At Kings of Indigo we aim to be a forward player when it comes to working as an ethical company. This means constant innovation in making the production process more environmentally friendly, but also taking care of the people who help us produce our clothing. It all boils down to offering value for money with good looking design in a strong quality for a fair price. This way we can motivate as many consumers as possible to go for the sustainable option and be able to wear it for a long time. We call this ‘quality wear for the next era.’”

- TONY TONNAER, FOUNDER KINGS OF INDIGO.

Kings Of Indigo®

Company structure



Tony Tonnaer
King of Inspiration

Elisabeth Verheijen
Queen of Brand Strategy

Khoi Thai
King of Design

Bart-Jan Opten
King of Sourcing

Jasper Knoop
King of Sales (Intern.)

Joshua Ijpma
King of Sales (NL)

Amanda Kotb
Queen of Sales Support

Roosje Kay van Veen
Queen of Communication

Andre Kortekaas
King of E-Commerce

Leonie Zijlstra
Queen of Communication
(online)

Rody Inden
King of Finance

Jochem Das
King of Credit Control

Maria Gunnarsson
Queen of Product

Margreeth Dronkert
Queen of Product/ CSR

Josha Willemsen
Queen of Product



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Goals & achievements 2017

Production in India and Turkey has been stopped as of AW17, last production delivery took place begin of 2017.

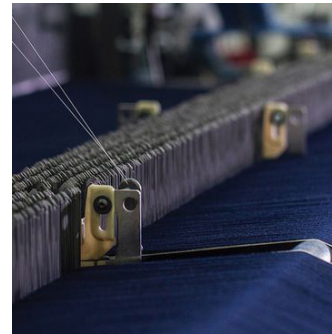


Kings Of Indigo learned that change can actually happen by doing and acting. Investments on audit and training level were done in 2017 and results were showing.

3 Fair Wear Foundation audits were executed at main denim stitching and finishing locations in Tunisia



90%
of total production took place on monitored locations, where 70% consists of FWF audited production locations



FWF WEP training on 6 production locations (in Tunisia, Fyrom, Bulgaria)



The entire supply chain is mapped out. Kings Of Indigo has more knowledge about actual stitching locations. But goes further into the chain: laundry, finishing, etc. This seems to be obvious but has not been the case before. According FWF knowing your supplier base and it's locations is mandatory. By having this information we can make choices and decisions upfront.

sourcing strategy



Sourcing strategy and pricing

At Kings Of Indigo we aim to establish long-term relationships with all of our suppliers. Not only when it comes to actual garment manufacturers but also the fabric mills and trim suppliers we are working with.

New sources must fulfill below criteria:

- Social auditing of all production locations:
 - ~ If located in high risk countries at least BSCI is required from Varova CSR otherwise SA8000 or FWF audits are also accepted;
 - ~ If located in low risk countries any audit type is valid next to that regular visits are required.
- Sign the Varova CSR supplier declaration and fulfill requirements from FWF: fill in and sign the Questionnaire + WIS on location;
- Transparency from vendor towards FWF code of conduct and Varova CSR;
- Any subcontracting must be known and approved upfront by Kings Of Indigo. Thereafter Varova CSR must be made aware;
- Free entrance to production locations;
- Product conformity: High quality standard and workmanship;
- Responsible sourcing of materials;
- Located close to home, easy to travel to.

In 2017 Kings Of Indigo visited Tunisia, Italy, FYROM, Bulgaria, Greece and Spain.

Pricing of the garments is cost price up, resulting in cost prices from 18-50 euros FOB. Kings of Indigo should make at least overall 55% margin and gives a markup of 2,5 to its retailers. This results in RRP range starting from 99,95 to 299,95 euro. Kings Of Indigo is not putting excess pressure on their vendors when it comes to prices. In certain cases a gross margin below 55% is accepted to ensure production and lower cancellation rate.

Organisation of the sourcing department

Kings Of Indigo consists of a team of in total 15 Kings and Queens. The sourcing, design, development and production department consists of in total five Kings and Queens.

Sourcing decision making rests with the King of Sourcing, who is in control and in charge of vendor sourcing. Amongst that, managing the complete production process of the denim & apparel. All in close cooperation with the team members, the Queens of Product. Overall responsibility on development, production of the collection is shared over three Queens. There is a split up in Mens/Womens denim and apparel.

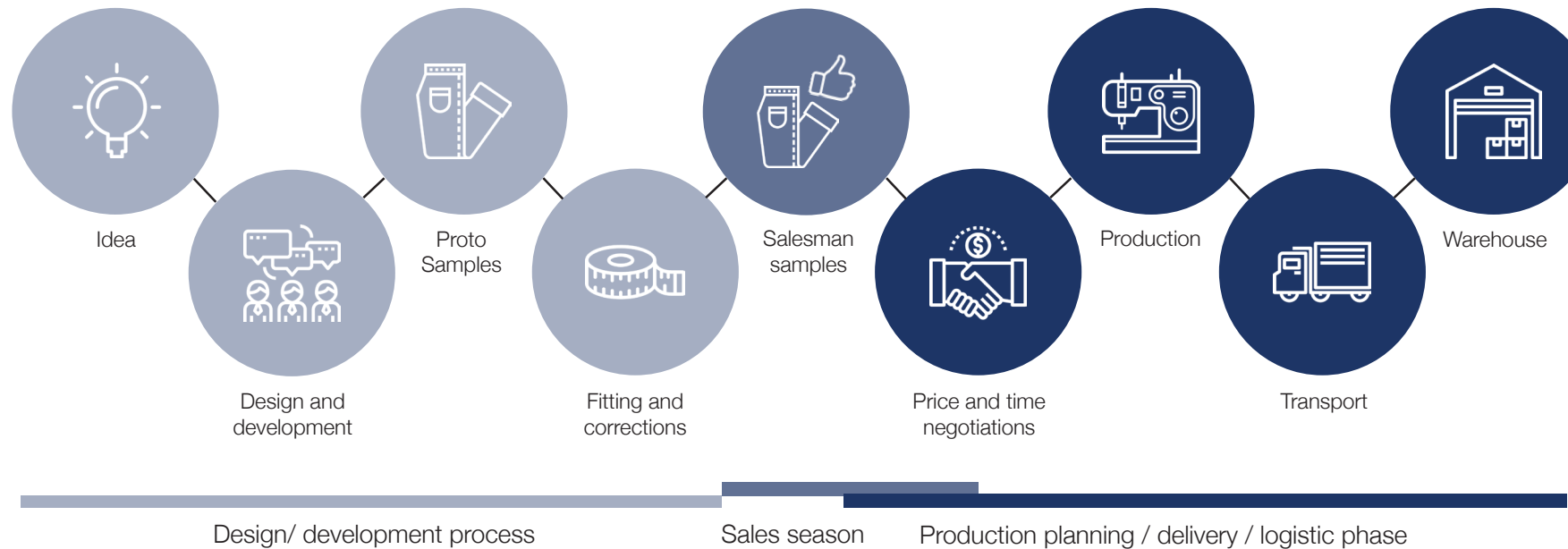
Following responsibilities have been divided within the team. One Queen has been designated to take care of trims, packaging material and the Royal Core program. Next to that one Queen is assisting in the creative process of the collection with focus on patterns. Another Queen is designated as CSR/FWF responsible. The King of Design is in charge of the complete design process and all steps.



Production cycle

Each year Kings Of Indigo has two collections for menswear and womenswear. Spring/Summer and Autumn/Winter. The denim collection consists of 65 denim options per gender per season. The apparel collection consists of 65 options per gender per season. Several items in the collection are developed as Unisex styles. Kings of Indigo is also offering leather goods such as belts and socks, scarves, bags there is also a small capsule with BABY KOI, KIDS KOI and the KIDS KOI TEE.

Cooperate Social Responsibility is integrated within this department which ensures the sourcing strategy is correctly implemented on supplier and sourcing level.



SOURCING STRATEGY

It all begins with the design process where a range plan is created based on the turnover targets for that specific season. Based on the range plan designs are made by an external Dutch patternmaker. With these patterns the first prototypes are produced. Technical fittings will take place at HQ with the proto types until they are confirmed to be salesman samples. Salesman samples are distributed to all agents in The Netherlands, Germany, Austria, Sweden, Belgium, Switzerland, UK and France. These agents sell to stores by example of these samples. During this sales period Kings Of Indigo is attending fairs like Pitti and Modefabriek.

When all orders are collected by Kings Of Indigo places block orders at the fabric mills with an agreed price and delivery date. Carry over fabrics will be defined and a selection of new sustainable fabrics are sent to the factory and laundry to test. Shrinkage and quality tests are then also done on all fabrics, so the patterns can be altered if needed.

After approximately three months the sales period will be closed and all sales orders must be in. After closing the production orders will be placed at the garment factories. Actual delivery dates/MOQ's, are discussed so they are workable and reachable for all parties.

An internal production planning is mandatory for a smooth and workable production cycle. This is essential to support factories in establishing fair working conditions. Short lead times is one of the reasons for extensive overtime. Delivery dates are based on capacity and material lead-time. Exceptionally it happens that fabrics are delayed which has a consequence on the production planning and the delivery date which is then indirectly putting pressure on workers. These matters require flexibility from the side of Kings Of Indigo. In close contact a revised production delivery date will be discussed and confirmed.

Supplier relations

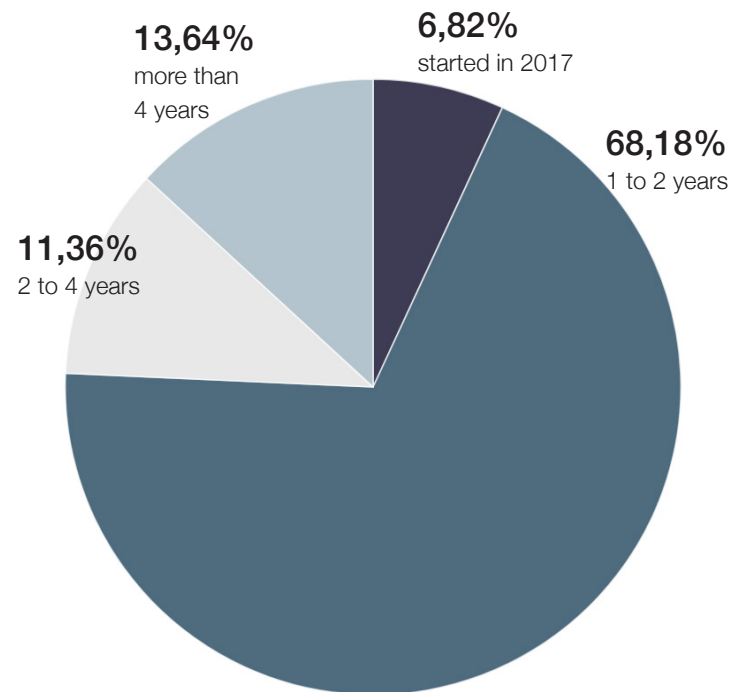
As Kings Of Indigo we stand for long term relationships with our suppliers. We see and treat our suppliers as partners. In case of entering new production partners we do our research up front. This consist of requesting and checking existing audit reports. We make sure to see the factory itself, not just the office and check the location with the Health & Safety / FWF buyers checklist. If we are satisfied with what we see, we will consider working together.

In 2017, we started cooperating with a new supplier in Republic of Moldova. The first production will come out mid of 2018. The supplier has been audited by FWF initiated by another FWF member who is also present on this location and BSCI. As another FWF member is producing at this factory Kings Of Indigo is starting the collaboration with them regarding monitoring and remediation. The follow up FWF audit at this production location is planned for 2018.

In 2016 we stopped working with our supplier in Turkey and India. The cooperation with Turkey ended due to the political situation in the country, the circumstances did not meet our brand philosophy: difficulty of travelling, the Syrian refugee subject, etc. We want to visit our suppliers on a regular base, invest and spend time there which was not possible. Final production from Turkey came out begin of 2017.

The relationship with our supplier in India ended in 2016, final production came out begin of 2017. The factory was no longer suitable to the brand. This had to do with pricing, deliveries and the fact that Kings Of Indigo is focussing on production locations as close to home as possible.

Relationship with our suppliers in years



Integration of monitoring and sourcing

Based on the Kings Of Indigo philosophy the development & production team is responsible for optimizing the supplier base to achieve a sustainable and conscious collection. Accountability and transparency are important points for making decisions and suppliers are constantly evaluated within the team

During audits a Corrective Action Plan (CAP) is written and an agreed time frame between Kings Of Indigo and factory management is set. The follow up of the CAP is coordinated by the designated CSR responsible in cooperation with the head of production. The relevant Kings and Queens within the company are informed about the audit outcome and the implementation, required improvements stated in the CAP.

Suppliers have to meet the Kings of Indigo standards which means they (preferably) have a social and/or environmental certification or have a strong base to receive one in co-operation with Kings of Indigo. Evaluation of every vendor will take place on a regular base, together with the team. We measure the CSR willingness, transparency, commitment, sustainability, performance, quality, degree of delivery and innovation. As Kings Of Indigo we strongly believe in our product and only want to invest and cooperate with solid and committed partners who are in line with the Kings Of Indigo philosophy.





**coherent system
for monitoring and
remediation**

Kings Of Indigo continuously analyzes their suppliers and every year we make a plan to select workplaces that need to be audited and/or trained by the Fair Wear Foundation. During audits a Corrective Action Plan (CAP) is written with a time frame agreed between the auditor and the factory management. The audit report and the CAP is giving us a clear picture on the actual situation within our production locations. It gives us the opportunity to work on important points of improvement and the priorities of these points. Implementing recommendations and requirements that come out of the CAP are continuously in process. Every 3 years we plan to re-audit our suppliers.

The FWF Workplace Education Program (WEP) aims to raise awareness about workplace standards and effective methods for workers and management. It moves beyond auditing and corrective actions, and towards collaborative workplaces where issues are raised and re solved through open communication. It's a perfect tool to set up effective methods for increasing the social dialogue between worker, supervisors and factory management.

Step by step, increased awareness about workplace standards together with functioning grievance systems will help reduce workplace risk. Managers, supervisors and workers are learning about the FWF complaint mechanism. A grievance mechanism can improve the workplace. It's raising awareness and for the longer term it's reducing potential risks in the supply chain.



TUNISIA

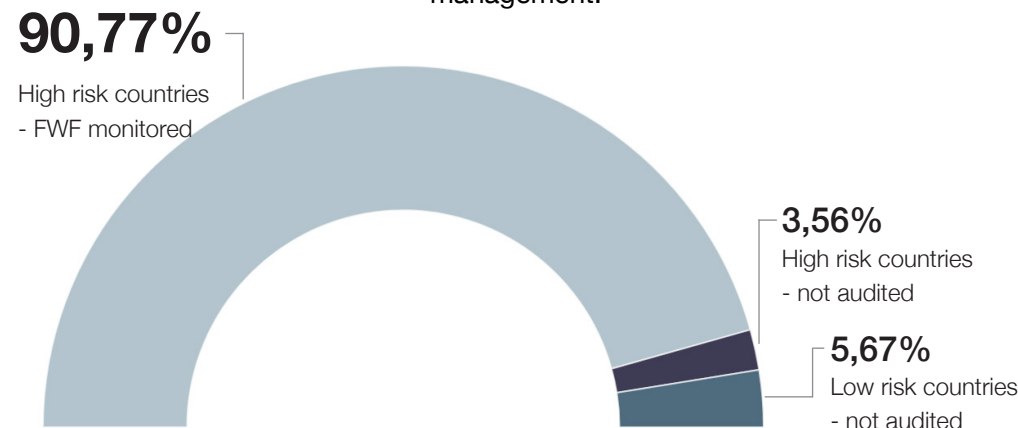
Denim production country for Kings Of Indigo, covering our biggest percentage of FOB is taking place in Tunisia and is therefore the main production country to Kings Of Indigo. The team is travelling regularly to the factories. We work with an intermediary platform, Artlab, which is based in Soliman, Tunisia.

Tunisia as production country has some common issues Kings Of Indigo faces after the FWF audits took place on several production locations. A.o. the use of short term contracts, minimum wages where the goal needs to be payment of a living wage and other findings referring to safe and healthy working conditions. These points makes Tunisia a production country with several challenges.

Cavalier International

The denim stitching facility has had a monitoring audit in February 2017 and WEP training in September 2017. In the factory a high turnover is found which is a common finding in Tunisia. Worker commitment is low. To ensure work and wage commitment from both parties is required. Health & Safety matters have been looked into and improvements took place.

Kings Of Indigo is working on critical points to get solved/ implemented continuously. Follow up work based on the CAP is continuously in process. The WEP training have made the participated workers aware of their rights. The training has been highly appreciated and we will look into arranging more trainings to establish more awareness. As recommendation towards the facility we together want to strengthen the consultative committee to improve and increase the social dialogue between workers and factory management.



NOS Confection

The denim stitching facility has had a monitoring audit in February 2017 and WEP training in September 2017. Important and positive finding to highlight is that during the audit the CBA Wage increase of 2016 has already been implemented. During the audit it was found that there is a high turnover of workers. This affects wages, contract terms, but also productivity. The consultative committee has been renewed in the mean-time and the facility worked on several Health & Safety matters where improvement was recommended after the audit took place.

Meanwhile Kings Of Indigo is continuously working on critical points to get solved/implemented at the factory. Follow up work based on the CAP is continuously in process. After the WEP training, workers noticed improvements and efforts NOS Confection has made after the audit that took place.

Still there is room for improving the social dialogue between workers and management in the facility, strengthening of the consultative committee needs to be established and a trade union needs to be encouraged. Since percentage of the worker attendance during the training was sufficient but not as high as hoped for we are looking into planning another training soon to increase the worker-management dialogue.

Interwashing

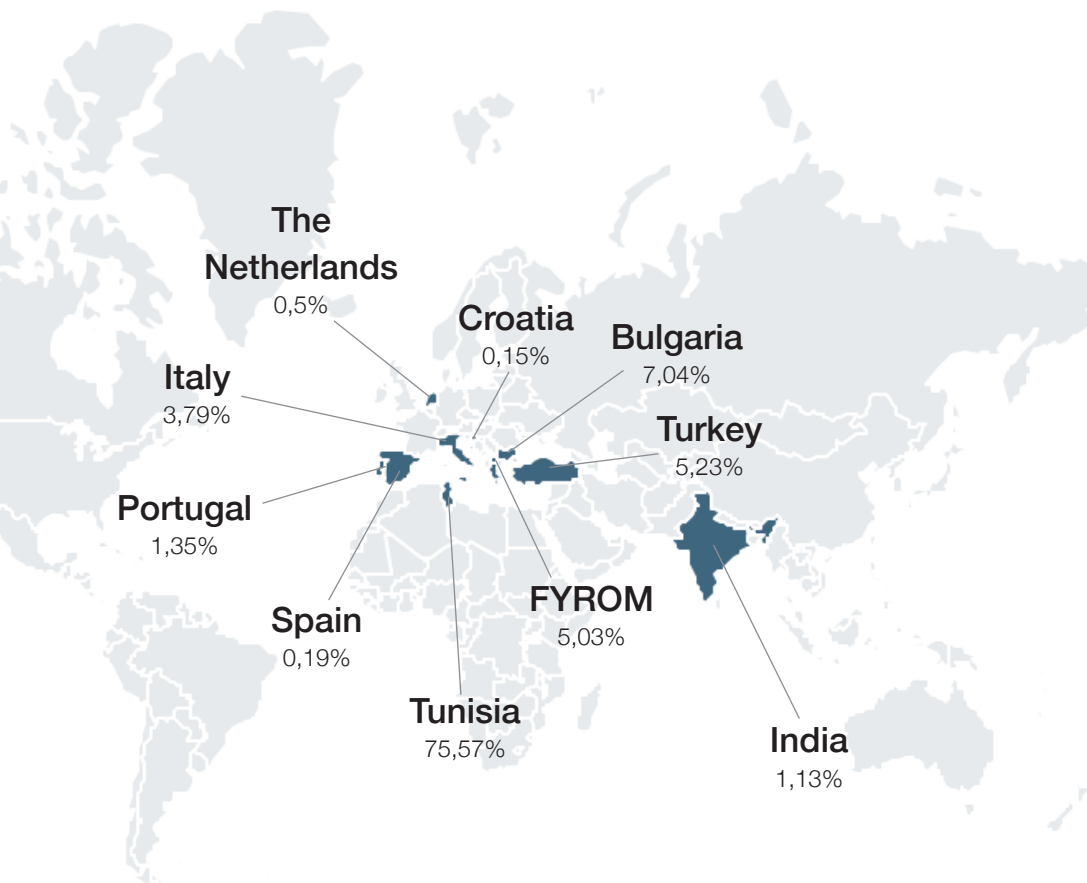
The primary laundry location of the Kings Of Indigo denim has had a verification audit by FWF in 2015, in October 2017 the WEP training took place at this facility. Continuously we work on the follow ups and remediation. Next FWF audit at this facility is planned for 2018.

The training was very well received and workers asked whether the training could be done more often and also for other workers. Attendance of workers at the training was sufficient but also here we want to encourage the training and create engagement at all workers. In the meantime we are looking into ensuring an active union/worker committee since improvements on worker-management dialogue are requested by both parties.

Blue Denim

One of our denim finishing locations, they also support Interwashing with some wash processes such as scraping, spray. In March 2017 Kings Of Indigo received a complaint by a worker. The complainant claimed there were health and safety issues. In December 2017 a verification audit took place to get a clear view on the actual situation. At the moment we are still working on follow ups and remediation.

Investigation in payment of a living wage is a complex process which will be maintained investigated in the future by Kings Of Indigo together with factory management. After the audit took place the consultative- and Health & Safety committee has been renewed. To establish the required worker-management dialogue the WEP training has been organized and took place in February 2018. Here we can consider that mainly the demand from both workers and management is related to improvement of communication. As the results of the reports just came out we will work with factory management, into setting up an internal factory training on labour standards and create an available grievance mechanism.



Blue & Dye

One of the denim finishing, laundry locations who is doing our garment dye articles. The facility has been audited by another FWF member in 2017 where we will cooperate within regards to follow up and remediation of the CAP. The WEP training took place in February 2018 which has been received positive. Together with the other FWF member we are working on a plan of action.

BULGARIA

Collage

The factory has been audited by another body, BSCI in 2017. Together with the factory we are working on following up on the CAP and the QAT. Conducting a FWF audit is planned for 2018. The factory got a WEP training in September 2017 which has been carried out successfully.

Wings

The stitching location for our Greek supplier Edward Jeans conducted a WEP training in September 2017. The training has been carried out successfully.

FYROM

Asteri

The factory has been audited by another body, BSCI. Together with the factory we are working on following up on the CAP and the QAT. Conducting a FWF audit is planned for 2018. The factory got a WEP training in October 2017 which has been carried out successfully.

External production

This is not applicable for Kings of Indigo.



complaints handling

COMPLAINTS HANDLING

FWF's complaints procedure enables FWF member companies to provide access to remedy for workers in their supply chains. It allows workers, their representatives, including trade unions and civil society organisations to present complaints about working conditions and violations of the FWF Code of Labour Practices at factories supplying FWF members.

In all of our production units, we have posted the Code Of Labour practice in the local language for the employees to read. In case of a complaint FWF will help investigating and solve their issue anonymously or transparently as they wish, with our help of feedback and follow-up. A complaint has high priority and needs to be solved urgently.

In March 2017 we have received a complaint of our subcontractor Blue Denim based in Tunisia, The complaint was admissible June 2017. The complainant was made referring to:

- Safe and healthy working conditions
- A legally binding employment relationship

In this case we have directly contacted factory management and planned an onsite visit.

An audit and training took place at the factory. Together we worked on setting up the H&S committee who's setting up meetings every 2 months. A worker representative has been elected.

A bonus is only provided to workers related to scraping and spraying units who are in close contact with chemicals and hazardous waste due to the high intensity of their jobs.

Together with the facility we are looking into setting up a bonus system to all workers.

On the Safe & Health situation there is a lack of aeration of workplaces and dust. Workers mentioned that masks are ineffective. The facility is running a quotation where all facts should be gathered and collected within one month. Depending on the outcome the advice could be to set up an improved ventilation system which is equipped with ventilators and air conditioners.

The complaint mechanism is unique and in case of the received complaint we have confirmed workers know about FWF and the possibility to have their voice heard. Therefore we take this complaint as a positive occasion to take action.

training & capacity building



Activities to inform staff members

All Kings and Queens within the company are aware of the FWF membership and the actual meaning of it. As of 2016 extra steps have been taken to ensure that the whole production team is even closer involved in the FWF membership and current CoLP status. Updates regarding FWF are discussed during the weekly production team meeting.

Seminars, annual conference, national members day were attended by the responsible CSR person and further briefed towards the production team. FWF related documents and materials are shared within the team and accessible via the internal server. Awareness is key.

Each season Kings Of Indigo informs the sales agents, mostly active in Europe, with the updates regarding the FWF reports and remind them of the importance of the FWF and our membership.





Activities to inform agents

Kings Of Indigo is mainly working through production agents which means that communication between Kings Of Indigo and the factories we produce in goes through them. As Kings Of Indigo we aim to produce as fair as possible and being transparent. These are the main reasons of cooperating together with an agent. In 2017 we have made our agents more conscious about CoLP which makes them more engaged to establish implementation of the CoLP and proper follow up.

Activities to inform staff manufacturers and workers

Before Kings Of Indigo starts the sampling process with a new source we first require the vendor to sign and return the FWF questionnaire and share existing audit reports, the CAP. We want to be informed about everything including, in case applicable, subcontractors.

It's mandatory to post the FWF Code of Labour Practice including the WIS on the production locations which must be easy accessible to all workers within the facility. Suppliers must commit to work according to the Code of Labour Practices.

Kings Of Indigo is mainly working through agents for the apparel part of the collection. Therefore agents must be familiar with and aware of the CoLP and FWF membership.

They will be further instructed and supported by CSR responsables within Kings Of Indigo. When it comes to our denim supplier we work directly with the factories.

Hanging the FWF Code in the factory is not enough. It's not guaranteed that workers actually understand its meaning. For this reason we have organized WEP trainings on several main production locations in 2017. The training will be continued in 2018 on the remaining locations which haven't been trained yet and where FWF is also offering this opportunity. As we hear about the positive feedback from workers on these trainings we are even more excited to increase awareness and knowledge of the workers and their rights. We will continuously put effort into this successful tool.

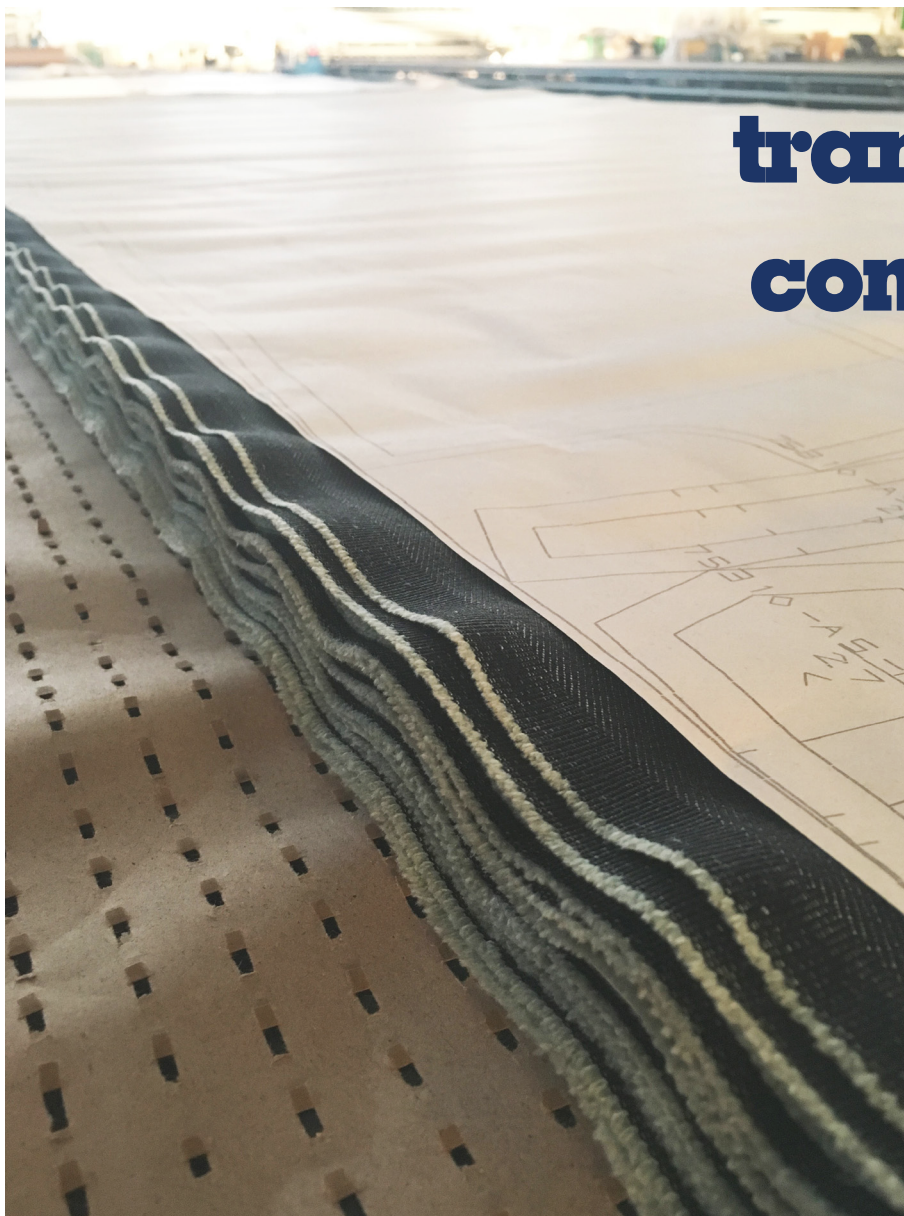
information management



Kings Of Indigo works with suppliers based in Tunisia, Spain, Italy, FYROM, Bulgaria, Portugal, Greece, Croatia, Republic of Moldova and The Netherlands. We have a clear view and insight of what actually happens where. Suppliers and sub-suppliers are known and all information such as: contact details, certificates, audit results are saved on our internal server and registered in the online FWF database. We not only collect and save all this information because of FWF regulations but foremost because of Kings of Indigo's transparency requirement.

Kings Of Indigo visits the sub-contracting facilities especially when it comes to the stitching and laundry part of the process as these are intensive steps within the production process.

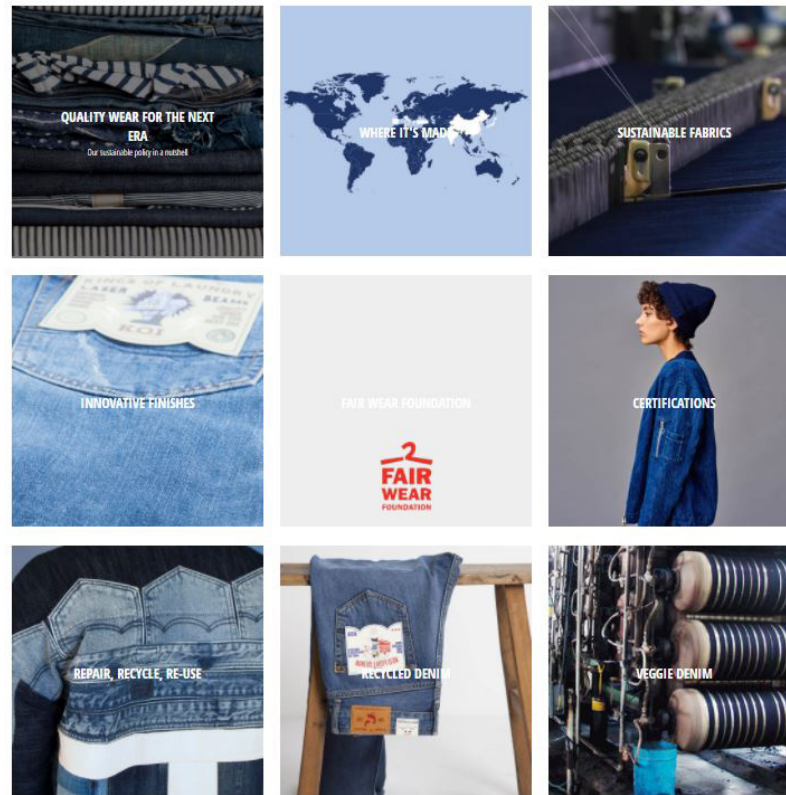




transparency & communication

TRANSPARENCY AND COMMUNICATION

Kings of Indigo communicates their Fair Wear Foundation membership on the website under the header sustainability. Kings of Indigo allows website visitors to download the latest published report to stay up to date on the accomplishments. On top of our website we have created a sustainable fact sheet focusing on Kings of Indigo that is shared amongst retailers, consumers and public relations. The fact sheet states that we have been a proud member of the Fair Wear Foundation since 2012 (including logo). This fact sheet is also shared on social media and B2B channels, such as trade shows. With other words, every year we update the report on the website and every half year we update the agents. We share the fact sheet on a weekly basis to different stakeholders through multiple channels.



www.kingsofindigo.com



stakeholder engagement

In 2017 we have used the country study for Bulgaria, Romania, FYROM, Tunisia and the risk assessment of Italy for a better understanding of local topics.

We also determine how to approach these issues with our production agents and our vendors to see what our role can be in solving and improving these situations. Where our production agents are mandatory for the required support.



corporate social responsibility



Material

Our products are made from materials consisting of (at least) 90% sustainable fibres such as organic cotton, recycled cotton, recycled wool, organic wool, TENCEL®, MODAL®, hemp and linen. These quality sustainable materials we get from the best mills; Candiani, Orta, Calik, Royo, Kilim, Textil Santanderina, Unitin, Hempfortex, Northern Linen, Filatures du parc, Morgado and Hellas Cotton. TENCEL® and MODAL® fibres are coming through Lenzing.

Wash and laundry

The washing of the jeans is critical when it comes to a sustainable approach. Buying unwashed denim (the purest!) and washing them as little as possible is the most sustainable option!

But we are at the forefront of innovation when it comes to sustainable finishes. We use laser where possible for abrasion together with ozone for a washed effect and eco chemicals instead of chemical sprays. Water waste is huge in denim production, therefore all water in our laundries is intensively cleaned and where possible recycled. Together with our laundries we are working towards a 90% recycling of water used for washing.

Certifications on yarn and fabric level

On fabric level we minimize as much as we can to non sustainable content. Therefore, Kings of Indigo's collection is mainly made from environmentally preferred fibres such as recycled organic cotton. Most of our products contain GOTS certified cotton or material that is environmentally friendly in its growth and production, such as linen, hemp, modal or TENCEL lyocell. Kings of Indigo works very close with their fabric mills that are REACH, OEKO TEX, GOTS or GRS certified to create beautiful and innovative fabrics and continuously try to find more sustainable solutions.



Certifications on factory level

All our suppliers are certified and audited by bodies who are independently monitoring the social labour situations. Most of our locations are audited. For the remaining locations we aim for BSCI, SA8000 and prioritised FWF.





Future goals and challenges

In 2018 we will publish a sustainability report that is 100% transparent on our production chain, our challenges, our growth in the sustainability field, as well as our carbon footprint.

Future goals and challenges (5yrs)

100% of production (stitching and laundry) locations should be audited by FWF. A production chain is quite wide and complex, it's a challenge to get all steps in order but this is a process. 'Issues' and matters will be discussed on site and an action plan will be created together with the factory;

WEP training in 100% of our production locations to create FWF awareness and knowledge of the rights that workers have.

Future goals on material level

We aim for 100% sustainable fabrics within three years, currently we still need to use a bit of lycra (max 2%) for stretch and polyester for recovery and strength (max 10%). We are looking into ways of replacing the normal version with the recycled Recycled Lycar, recycled polyester



Kings Of Indigo®