Indigo Books & Music Inc.

Annual Information Form

For the fiscal year ended April 1, 2023

June 27, 2023

TABLE OF CONTENTS

INDIGO BOOKS & MUSIC INC.

ANNUAL INFORMATION FORM

In this Annual Information Form for Indigo Books & Music Inc. and its subsidiaries (collectively, "Indigo" or the "Company"), the information presented herein is as at April 1, 2023, unless otherwise specified. Certain portions of this Annual Information Form reference the Company's Management's Discussion and Analysis ("MD&A") for the fourth quarter and full-year ended April 1, 2023 ("Annual MD&A") and Annual Consolidated Financial Statements for the year ended April 1, 2023 ("Annual Financial Statements"), which are incorporated herein by reference and available at *www.sedar.com* or on the Company's website at *www.indigo.ca*.

FORWARD-LOOKING INFORMATION

This Annual Information Form contains forward-looking information within the meaning of Canadian provincial and territorial securities laws. Forward-looking information in this document includes, among other things, statements related to:

- the impact of the Ransomware Attack (as defined herein), including any impact to the Company's business, operations, and financial performance;
- the impact of the COVID-19 pandemic and measures to contain it, including any impact to the Company's business, operations, and financial performance;
- the expectations regarding Indigo's capital expenditures, operations and use of future cash flow, financial position, financial results, business plans and strategies;
- Indigo's competitive position in the retail industry;
- the expectations regarding Indigo's store openings, renovations to, and closure of existing stores;
- the expectations regarding Indigo's product category extension plans;
- the expectations regarding Indigo's digital and ecommerce growth; and
- the status and impact of the development and implementation of Indigo's technological innovations and enhancements.

All statements other than statements of historical facts included in this Annual Information Form, may constitute forward-looking information. The words "believe", "intend", "scheduled", "plan", "focus", and "expect" and other expressions of similar import, or the negative variations thereof, and similar expressions of future verbs such as "will", "would", and "could" are predictions of, or indicate, future events and trends, and identify forward-looking information.

Forward-looking information is based on reasonable assumptions, estimates, analysis, and opinions of management made in light of its experience and perception of trends, current conditions, and expected developments, as well as other factors that management believes to be relevant and reasonable at the date that such statements are made. The forward-looking information contained in this Annual Information Form is presented for the purpose of assisting the Company's security holders in understanding its financial position, results of operations, and strategic priorities and objectives as at, and for the periods ended, on the dates presented, and may not be appropriate for other purposes.

Although the Company believes that the expectations reflected in such forward-looking information are reasonable, such information involves risks and uncertainties, and undue reliance should not be placed on such information. Certain factors or assumptions are applied in making forward-looking information, and actual results may differ materially from those expressed or implied in such information. In particular, both the Ransomware Attack (as defined herein) and the COVID-19 pandemic have had and may continue to have material impacts on the Company's business, operations and financial performance, the magnitude of which cannot be quantified at this time. Investors should refer to “Ransomware Attack Update” and “Statement on COVID-19” below.

Information about factors or assumptions that could cause actual results to differ materially from expectations and that are applied in making forward-looking information may be found in this document under “Risk Factors” as well as under “Risks and Uncertainties” in the Company’s Management Discussion & Analysis (the “MD&A”) for the 52 weeks ended April 1, 2023, and elsewhere in the Company’s filings with Canadian securities regulators.

Except as required by law, the Company does not undertake any obligation to publicly update or to revise any of the forward-looking information contained or incorporated by reference in this document, whether as a result of new information, future events, or otherwise.

All forward-looking information contained in this Annual Information Form is expressly qualified by the foregoing cautionary statements.

RANSOMWARE ATTACK UPDATE

On February 8, 2023, Indigo was the victim of a ransomware attack, resulting in internal operational disruptions and service disruptions to both its ecommerce and retail channels (the “Ransomware Attack”). Upon discovery of the Ransomware Attack, the Company immediately engaged third-party experts to assist Indigo in investigating and resolving the situation. As part of the remediation work, Indigo proactively shut down certain systems to prevent data from being improperly accessed and has been working with third-party experts to strengthen its cybersecurity practices, enhance data security measures and review existing controls. Through the investigation, Indigo determined that its network was illegally accessed by persons who deployed ransomware software known as “LockBit”.

As a result of the attack, the Company’s ecommerce platforms were temporarily unavailable for customers. On February 17, Indigo launched a temporary website, which first acted as a browsable-only online home, and on February 21 was updated to offer the sale of select books. This platform was used until March 7, when Indigo restored its full website, including its traditional online product assortment. In store, the most significant impact was to Indigo’s electronic payment processing capabilities, which were shut down for approximately three days.

Indigo’s investigation of the Ransomware Attack did not find any indication that customer data was improperly accessed, although the employee data of some employees was found to have been affected. Law enforcement was notified of the issue, and current and former employees were notified that their personal information may have been affected. Indigo retained the assistance of one of Canada’s leading consumer reporting agencies to offer two years of credit monitoring and identity theft protection services at no cost to the impacted employees. The Company continues to work closely with Canadian and U.S. law enforcement in response to the attack.

The complete and long-term financial impact of the Ransomware Attack cannot be reasonably estimated at this time; however, it has had a material impact on the Company’s fiscal 2023 financial results. The Company maintains cyber insurance coverage, and is in the process of working with its insurer to make claims under the policy. However, due to the complexity of cyber insurance coverage, there will be a time lag between the business interruption losses and response and remediation costs, and the recovery of insurance proceeds, the extent of which management cannot reasonably predict. Furthermore, management cannot predict the future costs expected to be incurred in fiscal 2024 to complete remediation, as well as the impact of any residual changes to consumer behaviour as a result of the incident. See “Risk Factors” in this Annual Information Form for additional risks related to cyber security.

STATEMENT ON COVID-19

On March 11, 2020, the outbreak of COVID-19 was declared a pandemic by the World Health Organization. The Company, and the retail industry, continue to navigate the impacts of the COVID-19 pandemic, which have included government imposed restrictions such as closures, quarantine policies and social distancing measures, as well as the indirect impacts to the global economy. All of these impacts had, and may continue to have, negative effects on the Company's retail operations, distribution centres, head office operations and supply chain.

Since the pandemic began, the Company has experienced rolling closures and capacity restrictions to its retail network, as directed by local governments and public health authorities. This notably included Canada-wide closures that negatively impacted the Company's retail operations. All stores remained open throughout fiscal 2023, while 93 retail locations were closed for part of the first quarter in the prior year. The Company also implemented mandated government capacity restrictions in the third and fourth quarter of the prior year, which adversely affected retail traffic in the Company's store network, particularly during critical holiday selling weeks in the month of December.

In fiscal 2023, the Company recognized $1.0 million of external COVID-19 support, all in the form of occupancy expense abatement. In the prior year, the Company recognized $12.9 million of external COVID-19 support comprised of $7.7 million of occupancy expense abatement, $2.3 million from the Canada Emergency Wage Subsidy ("CEWS") and $2.9 million from the Canada Emergency Rent Subsidy ("CERS"). The CEWS and CERS programs ended in fiscal 2022. The Company did not qualify for COVID-19 subsidies under any newly introduced programs in fiscal 2023.

The COVID-19 pandemic has introduced volatility to the economy and financial markets on a global scale, impacted consumer spending and disrupted supply chains, the extent of which will depend on future developments that are highly uncertain and cannot be reliably forecasted. The foregoing statement on COVID-19 is not an exhaustive description of the actual or potential impacts of the COVID-19 pandemic on the Company. Investors should also refer to the risks described below under "Risk Factors".

The Company's top priorities remain the health and safety of its customers, employees and communities, and safeguarding the financial strength of the business.

CORPORATE STRUCTURE

NAME, ADDRESS, AND INCORPORATION

Indigo was formed by the August 16, 2001 amalgamation of Chapters Inc. and Indigo Books & Music Inc. and is governed by the *Business Corporations Act* (Ontario). Subsequently, Indigo amalgamated on April 3, 2004 and April 3, 2005 with certain wholly-owned subsidiaries. All amalgamations were made pursuant to the laws of Ontario.

The registered and principal offices of Indigo are located at 620 King Street West, Suite 400, Toronto, Ontario, M5V 1M6. Indigo's corporate website address is *www.indigo.ca*.

PRINCIPAL SUBSIDIARIES

The following table identifies the names of the principal subsidiaries of the Company as of June 27, 2023, the percentage of voting shares owned by Indigo and the jurisdiction of incorporation or continuance of each such subsidiary.

Name of Subsidiary	Percentage Owned	Jurisdiction of Formation, Incorporation or Continuance
Indigo Design Studio, Inc.	100%	Delaware, USA
Indigo Cultural Department Store Inc.	100%	Delaware, USA
YYZ Holdings Inc.	100%	Delaware, USA

GENERAL DEVELOPMENT OF THE BUSINESS

Since 1997, Indigo has been its customers' self-declared "happy place" - a next-generation cultural concept store, where worlds are illuminated with stories, ideas, and things that bring joy.

Indigo's mission is to inspire reading and to simplify its customers' journey to live with intention. Anchored by books and complimented by a curated general merchandise assortment, the Company endeavors to empower its customers to actively identify what they value most and to support them in living in alignment with those values; in living a *life, on purpose*™ lifestyle. Through thoughtful curation of products that fill hearts and homes, delivering content that encourages reflection and inspiration, and by building connection in communities served, Indigo seeks to bring tremendous value to the Canadian retail landscape.

As this landscape has shifted over the past twenty-five years, Indigo continues to evolve in its differentiated and rich omnichannel shopping experience, aligning to the changing needs of its customers, employees, and the communities it serves. The Company's top priorities over the past three years and key strategies moving forward include refining its assortment of thoughtfully-curated merchandise, developing Indigo's store of the future, reimagining Indigo's digital presence, generating profitable growth, enhancing customer connections, and fostering high performing teams.

In September 2023, Indigo celebrated its 25th anniversary with the launch of its new brand platform: *life, on purpose*™, *la vie, décidément*™*.* The national marketing campaign celebrated iconic Canadian authors and culture shapers, highlighting how they live their lives with intention. As part of the celebration, Indigo created an exclusive capsule collection of books and general merchandise products, and hosted special events and experiences all month long to inspire customers to connect with what matters most to them.

REFINE MERCHANDISE ASSORTMENT

Indigo connects people to discovery, ideas and inspiration. Products are made to move you and shape you. To fill hearts, and homes. They are designed for real life and made for real people.

Books are at Indigo's core, offering customers access to over 12 million books online and tens of thousands of titles in-store, with localized assortments that reflect the communities in which the Company operates. Indigo has focused on maintaining strong Canadian market share against value retailers. This has been achieved through thoughtful curation and reliable inventory management, strong brand awareness, extraordinary convenience, consistent customer engagement and a constant focus on providing exceptional customer service.

Indigo's print business is complemented by a curated general merchandise assortment comprised of coveted proprietary and third-party brands. Over the past three years, the Company successfully expanded its proprietary brand portfolio, which now includes OUI STUDIO™ and OUI™ Design (collectively "OUI"), LOVE & LORE®, CARTA™, Auria®, NÓTA™, Wonder Co.™, Mini Maison™ and The Littlest™. The merchandise is developed in-house by the Company's design, global sourcing and merchandising teams, and the brands extend across the Home, Wellness, Fashion, Paper, Kids and Baby categories. The focus is to continue developing merchandise with compelling product margin rates that differentiate Indigo's assortment and build brand affinity.

The Company believes that its merchandising strategy, of both coveted proprietary and third-party brands, is a pillar to driving customer demand. In fiscal 2022, Indigo partnered with Canadian-technology start-up, Convictional Commerce Inc., to accelerate its growth of third-party inventory by refining the Company's dropship seller experience, delivering curation at scale on its digital platforms. In fiscal 2023, management continued enhancing its merchandising practices and onboarding toolset to accelerate the growth of Indigo's general merchandise assortment. This included further expansion in categories including tech, plants, gourmet foods, arts and crafts, record and fan shops, tween, wellness and baby. New third-party brands were introduced in all product categories. Management drove an omnichannel merchandising strategy to employ a holistic view of selection and allocation through the optimization of existing retail space and allocating more space to faster turning merchandise, and by broadening and growing product breadth and depth by leveraging inventory management models such as dropship and consignment.

Indigo is continually focused on maintaining a coveted merchandise assortment while upholding strong merchandising practices, including effective promotional strategies and elevated buying techniques, all of which drive customer demand, lift full-priced sell through, and ultimately generate profitable growth.

DEVELOP INDIGO'S STORE OF THE FUTURE

Indigo retail stores reflect the Company's transformation from a bookstore to a next-generation cultural concept store; a physical and digital meeting place inspired by and filled with books, music, art, ideas, and beautifully designed lifestyle products, all aimed at simplifying its customers' journey to *Living with Intention.*

The distinction between physical and digital retail has evolved, and customers expect to have a seamless experience with the Indigo brand, regardless of channel. Recognizing this, the Company continues to focus on providing an omnichannel shopping experience with exceptional customer service, flexible access to inventory and evolving digital innovation. In fiscal 2021, the Company invested further in its express pick-up solution, which allows customers to order online and pick up in store within the same day.

In fiscal 2022, the Company began reimagining the function of its café spaces, with a focus on a market-by-market, and sometimes store-by-store approach, to offer customers regional relevance and support local businesses. The Company renegotiated its partnership with Starbucks Coffee Canada, Inc. ("Starbucks"), and thirty-six cafés continue to operate as Starbucks within Indigo stores, while the remaining cafés located in the Company's superstores are being reimagined under the evolving Indigo brand retail experience. The Company announced a partnership with Good Earth Cafes Ltd. to bring their Coffeehouse experience to select locations across communities in Canada, and five Good Earth Cafes Ltd. were opened in fiscal 2023. One Tunnel Espresso café and one Second Cup café were also opened within Indigo locations in the year. The focus of Indigo's reimagined café offering is on exceptional customer experience, delicious food and drink, and partnering with like-minded, values-based organizations across the country.

The Company is constantly assessing how the physical retail landscape evolves with fundamental shifts in consumer behaviour, to reimagine Indigo's 'Store of the Future'. In fiscal 2023, the Company opened its first iteration of a modernized 'Store of the Future' concept at the CF Rideau Centre in Ottawa. This store keeps books at its core, highlights lifestyle assortment, and creates a community atmosphere by introducing both centralized and dispersed seating, as well as playable kids' fixtures. The Company plans to open another new concept store in fiscal 2024 in downtown Toronto at The Well, one of the largest retail, corporate and residential developments in Canada. The Company looks to continue reimagining the role and experience of its physical store locations.

REIMAGINE INDIGO'S DIGITAL PRESENCE

Indigo has created an omnichannel shopping experience, which provides customers a seamlessly integrated physical and digital next-generation cultural concept store. Today, Indigo's online channel offers customers access to over 12 million book titles, along with an enhanced assortment of general merchandise, all designed to help customers connect to the things that matter most to them.

Over the past several years, the Company has built a strong social media presence across Facebook, Instagram, LinkedIn, Pinterest, Twitter, and TikTok with over 585,000 followers on Facebook and over 440,000 on Instagram. Some locations in the Company's retail network have their own community social profiles. These platforms further enhance customer engagement by building connection within communities, and with Indigo as a whole.

In fiscal 2021, Indigo kicked off a comprehensive modernization strategy with the objective of evolving its digital technology stack, dropship program, and end-to-end site experience. This strategic endeavour encompasses a number of mid-term initiatives to drive the Company's competitiveness in response to the digital acceleration experienced globally during the pandemic. Indigo's Buy Online Pick Up In-Store (BOPIS) experience was optimized to unlock further omnichannel functionality and roll out a seamless experience of product pick-up in as little as two hours across the Canadian retail store network.

This strategy was furthered in fiscal 2022, when the Company embarked on a journey to fully re-design a connected shopping experience and modernize its ecommerce technology. This included Indigo entering into an agreement with Salesforce, Inc. for its market-leading commerce cloud solution to function as a critical pillar of Indigo's new digital architecture, offering personalized and tailored digital experiences. These efforts continued in fiscal 2023 and are expected to continue in fiscal 2024, as the Company focuses on building the evolved *indigo.ca* site experience. The modernized website will deliver an innovative and agile platform that will allow the Company to further capitalize on the potential of the ecommerce opportunity unlocked by accelerated adoption during the pandemic.

GENERATE PROFITABLE GROWTH

Indigo is focused on the constant evolution of its business model, to generate profitable growth and ongoing value for investors.

The macro-economic environment has created many challenges over the past several years, which have impacted consumer behaviour and traffic patterns in retail locations, increased costs and caused volatility in the retail industry as a whole. Indigo has weathered each of these challenges by maintaining brand strength, constantly evaluating its current operating model, and focusing on driving efficiency. In the current year, the Company focused on prudent expense management, including cost-reduction initiatives within its head office operations and streamlining supply chain functions.

Moving into fiscal 2024, the Company expects to implement a new best-in-class retail labour model, built in partnership with external advisors, to create efficiencies in store operations and adapt to the changes in the physical retail landscape. Indigo is focusing on investments that drive high levels of return for the business to optimize capital spending. The Company will continue focusing on creating operational efficiencies that will increase free cash flow generation and strengthen profitability.

On June 27, 2023, the Company received a binding commitment with respect to a revolving line of credit facility with Trilogy Retail Holdings Inc. ("Trilogy"), as lender (the "Credit Facility"). Trilogy is controlled by Mr. Gerald W. Schwartz, who is the controlling shareholder of Indigo. The Credit Facility is for an aggregate principal amount of up to $45.0 million and, with the consent of Trilogy, the amount may be increased by up to $10.0 million. The Credit Facility, which matures on December 31, 2023, has an interest rate of the Royal Bank of Canada prime rate +1%, and will be used to finance the seasonal working capital and operational needs of the Company. It will be issued on reasonable commercial terms, and will not be convertible, directly or indirectly, into equity or voting securities. The Credit Facility will be subject to the terms and conditions of the credit agreement anticipated to be entered into between the Company and Trilogy on or before July 31, 2023.

ENHANCE CUSTOMER CONNECTION

At Indigo, customers are the heroes of the brand's story. With stores in communities from coast to coast, its customers are as diverse as the landscape. Embedding a deep customer understanding throughout the organization is essential to the brand.

The Company has spent the past several years reimagining its customer loyalty programs with a focus on engaging in a two-way relationship with customers, connecting more deeply and communicating with purpose. The Company has a two-tiered loyalty program: *plum®*, a free points-based tier; and *plum® PLUS*, an annual fee-based tier. The foundation of these programs is to drive further customer value, while providing the Company with analytics to equip teams in making customer-centric business decisions.

Optimizing the Company's *plum®* loyalty program continues to be a key focus of the business to enhance the overall brand experience. *plum®* is Indigo's community, designed to inspire and motivate members to embrace a *life, on purpose*™ lifestyle, by unlocking access to experiences and benefits that extend beyond their shopping journey. The Company aims to engage members with richer and more relevant products, content, experiences and offers.

The *plum® PLUS* program has grown beyond the milestone of 600,000 members and is increasingly becoming a strategic vehicle for the Company to meaningfully engage with its most loyal customers. As an annual fee-based program, *plum® PLUS* offers free shipping, member discounts, and exclusive offers as incremental benefits to the redeemable points offered on almost all products purchased. This membership tier has delivered on engaging Indigo's best customers, in addition to driving frequency and a meaningful lift in average transaction values. The success of this program continues to deepen the Company's understanding of its customers and to deliver a unique and personalized member experience at key moments. In fiscal 2023, the Company continued to build its customer-first culture by strengthening its capabilities to personalize each member touch point, providing a rich omnichannel shopping experience.

FOSTER HIGH PERFORMING TEAMS

A key priority at Indigo has always been its people. With a focus on fostering engagement and high performance, Indigo strives for an environment that encourages employees to bring their best selves to work. The intention is to make diversity, equity and inclusion embedded in how employees work every day, to create a culture where everyone feels like they can be their authentic self, and communities feel represented and welcomed with joy.

The Company's ambition is to be the best rewarding retail employer, not only in pay, but in a holistic view of the employment relationship that includes a sense of purpose, meaningful relationships, benefits, and flexible work opportunities. This Company-wide initiative focuses on driving engagement, and operational excellence, while removing inefficiency from the Company's work processes. By empowering teams with focused roles and responsibilities, and fostering a culture that supports a true overall quality of life, Indigo seeks to enable productivity, maintain stabilization of the workforce, and drive overall employee engagement. This work involves partnerships across all areas of the Company and is expected to continue to evolve over the next several years.

The success of this strategy is evidenced by ongoing record-high employee engagement. In the past three years, the Company has maintained high employment engagement scores, increasing from 87% in 2021 to 90% in 2023. Indigo was recognized as a leading employer by Forbes "Canada's Best Employers" in 2022 and again in 2023, and has been recognized in the Globe and Mail's Report on Business magazine's Women Lead Here awards. The resilience and hard work of the Indigo teams has allowed the business to successfully respond to the ever-evolving challenges of the macro-economic environment over the past several years.

DESCRIPTION OF THE BUSINESS

Indigo is Canada's leading book and lifestyle retailer. The Company offers a curated assortment of books, gifts, home, wellness, fashion, paper, baby and kids products, that supports customers by simplifying their journey to *Living with Intention.* The Company has retail stores in all ten provinces and one territory in Canada, which are seamlessly integrated with its digital platforms to provide a rich omnichannel shopping experience. The digital platforms, including the Company's website, *www.indigo.ca,* and its mobile application, offer customers access to over 12 million book titles and an expanded assortment of meaningfully curated general merchandise.

Indigo operates its stores under the banners *Indigo*, *Chapters*, *Coles*, and *Indigospirit*. Through Indigo Cultural Department Store Inc., its wholly-owned subsidiary, the Company carries on retail operations in the United States, operating one retail location in Short Hills, New Jersey. The Company also offers a marketplace assortment of giftable experiences, services, and subscriptions on *www.thoughtfull.co*.

Information regarding the Company's financial results for fiscal 2023, including revenue generated from Indigo's product categories and other revenue sources, is available in its Annual MD&A and Consolidated Financial Statements as at April 1, 2023, both of which are available under the Company's profile on SEDAR at www.sedar.com.

PRODUCT CATEGORIES

Books

Indigo's mission is to inspire reading and simplify customers' journeys to live with intention. The Company believes in the strength that reading has to educate us, to inspire us and to connect us. Books are at the core of the business, offering customers access to over 12 million books on its digital platforms and tens of thousands of titles in-store, with localized assortments that reflect the communities in which the Company operates.

Indigo sources books from over 100 different publishers. The Company's category managers share expertise and responsibility across categories of books, reviewing over 40,000 new publications each year. Together with a team of analysts, they decide the complexion of assortment based on analyses of customer interest, buying behaviour, and sales from individual stores and digital platforms. Sales are rigorously analyzed to decide which books to carry, in what quantity and in which locations. Initial purchase quantities are based on forecasted sales, driving towards internal performance targets and healthy inventory turnover rates.

Unique to the publishing industry, most unsold book inventory is eligible to be returned to suppliers; approximately 85% of all book titles the Company purchases are eligible for return for full credit. The Company is responsible only for the transportation and labour costs associated with these returns.

The Company also continues to support eReading through its agreement with Rakuten Kobo Inc. ("Kobo"). Customers can browse and discover eBooks on the Company's digital platforms, before being redirected to the Kobo website for purchase. These eBook purchases generate income for the Company through a revenue sharing agreement with Kobo.

General Merchandise

While books anchor Indigo's life-enriching approach to retailing, they are complimented by a general merchandise assortment aligned to the Company's *life, on purpose*™ platform as a product philosophy. Defined by a meaningfully curated assortment of coveted proprietary and third-party brands, management believes that its merchandising strategies are a key pillar to driving customer demand and profitable growth.

Product selection, buying and price-setting activities for the general merchandise business are centralized at Indigo's head office in Toronto, Ontario under the direction of its Chief Commercial Officer. These activities seek to ensure that Indigo identifies a strategic mix between desirable third-party branded products and the Company's proprietary private label products. Indigo employs inventory management strategies with a focus on maintaining adequate inventory levels and maximizing full-price sales.

Indigo has developed a coveted collection of proprietary brands, which include OUI, LOVE & LORE®, CARTA™, Auria™, NÓTA™, Wonder Co.™, Mini Maison™ and The Littlest™. The merchandise is developed in-house by the Company's design, global sourcing and merchandising teams, whose collective focus is to deepen and differentiate Indigo's assortment at compelling product margin rates. The majority of the Company's proprietary product assortment is globally sourced.

The Company's main product categories include Home, Wellness, Fashion, Paper, Kids and Baby, which all focus on providing Indigo's customers with a curated assortment that simplifies their journey to living a *life, on purpose*™ lifestyle.

The Home product category focuses on providing customers with sustainable, affordable and beautiful products to fill their personal spaces. The Company has offerings in home décor and accessories, kitchen necessities, dining and entertainment, bedding and outdoor living. In fiscal 2021, Indigo launched its proprietary brand, OUI, which delivers thoughtfully designed living solutions that make room for life. The breadth of offering from the OUI brand portfolio ranges across most home categories.

The Wellness product category seeks to inspire and support customers on their quest for optimal health. This is realized through a strong content strategy that provides customers with thought leadership, paired with a compelling merchandise assortment from both traffic-driving third-party brands and the Company's proprietary brand, Auria®. The Company seeks to provide customers with a wide-range of wellness products at a variety of accessible price points, with a focus on natural and sustainable Canadian brands.

The Fashion product category includes an assortment of sleep and loungewear, bags, small accessories, including the Indigo favourite reading socks, and travel accessories. The majority of sales for the category are driven by the Company's proprietary fashion brand, LOVE & LORE®. In fiscal 2023, the Company introduced CARTA™, a new proprietary brand of bags and small accessories with a genderless aesthetic made with sustainable materials.

The Paper product category includes journals, stationary, agendas, calendars, greeting cards and Indigo's creativity shop. The Company's proprietary brand NÓTA™ offers a collection of sustainably designed notebooks and journals, made from FSC-certified paper and recycled materials. The category assortment is rounded out with a selection of coveted third-party brands.

With the !ndigoKids® and Indigobaby® category banners available to customers on both Indigo's digital channels and in stores across the country, the Company is a leading destination for premier kids and baby products. !ndigoKids® specializes in curating toys and books that inspire creativity, spark imagination and encourage learning. The assortment includes two private label brands. The Wonder Co.™ brand is an exclusive line of lifestyle products ranging from kids pajamas, pool floats and ponchos, to back to school essentials such as backpacks, lunch bags and water bottles. The Mini Maison™ line is a proprietary assortment of kids bedding, home décor and room accessories to supplement the growing kids' fashion and décor businesses. The baby segment has been a focus for Indigo, with Indigobaby® expanding through concept stores across the country, further establishing it as a leading specialty national platform for expectant parents. Indigobaby® offers expertly curated products, ranging from nursery items and décor, strollers and other baby gear, as well as parenting and baby books for a baby's first library. The Company has also launched a proprietary brand in this infant category, called The Littlest™.

SALES CHANNELS

Retail Stores

Indigo is proud to be a "happy place" for its customers, a beautiful and fulfilling space where they can relax, learn, connect and enjoy. The physical retail spaces act as a strategic connection point to customers and the Company believes that its portfolio of stores in core retail locations across Canada is a significant factor contributing to ongoing sales performance. The following table describes the geographic distribution of the Company's retail stores by banner as at April 1, 2023:

Location	Chapters	Indigo	Indigospirit	Coles
Newfoundland & Labrador	1	-	-	3
Prince Edward Island	-	1	-	1
Nova Scotia	2	-	2	8
New Brunswick	2	1	-	1
Quebec	-	4	-	1
Ontario	15	28	9	28
Manitoba	2	1	-	2
Saskatchewan	-	2	-	4
Alberta	8	8	6	5
British Columbia	3	8	1	12
Yukon	-	-	-	1
USA	-	1	-	-
TOTAL:	**33**	**54**	**18**	**66**

As mandated by local governments and public health authorities in response to COVID-19, the Company experienced rolling temporary store closures and capacity restrictions in its retail network during fiscal 2021 and 2022. For more information, please see the "Statement on COVID-19" above.

Superstores

As at April 1, 2023, the Company operated 87 superstores in leased locations throughout Canada, as well as one store in the United States, in Short Hills, New Jersey. These leased locations have an average of approximately 24,000 selling square feet per store, and a total selling area of over 2,000,000 square feet.

The Company's superstores are designed to be a destination for culture-seekers, built on superior book title selections, unique general merchandise offerings, author events and community programming, intentional ambiance and knowledgeable staff. These stores are designed to be premier gifting destinations and promote repeat purchases. The extensive on-hand book selection and growth of general merchandise categories provides a large assortment of inspiring choices to the customer. Floor plans have been designed to create a "store within a store" concept for its categories, like the !ndigoKids® and Indigobaby® shops.

Small Format Stores

As at April 1, 2023, the Company operated 84 small format stores in leased locations throughout Canada, with an average of approximately 2,800 selling square feet per store, and a total selling area of over 230,000 square feet. Small format stores are typically located in retail shopping centres, street-front retail areas, and central business districts. Traditionally focused on carrying a wide range of popular books, the product mix in these stores has been expanded to include paper products and a limited selection of general merchandise, toys and baby products. The expanded range of non-book products in small format stores is part of the Company's continued focus on being a top-of-mind gifting destination for Canadians.

Digital Platforms

Indigo's digital platforms are designed to bring customers' "happy place" to a digital environment, providing a seamless omnichannel shopping experience. Customers can experience Indigo's digital platforms through its website, *www.indigo.ca,* and through the Indigo mobile application available on Android and iOS. These digital platforms provide a rich and expanded assortment of both books and general merchandise and an engaging experience that encourages customers to return frequently. The Company also offers a marketplace assortment of giftable experiences, services, and subscriptions on *www.thoughtfull.co*, which is also promoted on the Company's primary digital platforms.

The Company's digital platforms offer a number of competitive features that enhance the omnichannel customer experience. The mobile application, for example, allows customers to scan products in-store for additional product information and online purchasing options. Fulfillment options provide flexibility to customers. On top of traditional shipping to a customers' chosen location, orders can be picked up free of charge in store, through an express pick-up option when fulfilled by the store or shipped from a distribution centre. Online purchases can be returned at any Company location nationwide or shipped back to the Company's distribution centres free of charge.

The Company experienced a significant acceleration of online sales commencing in March 2020 as customers embraced ecommerce at an unprecedented rate. While this was fueled by retail store closures and government stay-at-home orders in response to the COVID-19 pandemic, these conditions created a tipping point that is fundamentally changing consumer shopping behaviour. The Company's online channel continues to experience significant growth in comparison to pre-pandemic periods, and has propelled the Company's long-term growth strategies. While these ecommerce trends are widely experienced by the Company and its peers, no assurance can be provided regarding the sustainability of this demand. See also the Company's description of certain impacts of the ongoing pandemic described above under “Statement on COVID-19”.

The Company’s digital platforms were negatively impacted by the Ransomware Attack. See “Ransomware Attack Update” in this Annual Information Form for additional details.

LOYALTY PROGRAMS

Indigo’s loyalty program activates a deep affinity for its brand, enhances customer touchpoints with personalization and maximizes the effectiveness of the Company’s marketing efforts to drive customer behaviour and meaningful lifetime value.

Indigo’s loyalty program, *plum®* has two tiers: *plum®*, a free points-based tier; and *plum® PLUS*, an annual fee-based tier. The *plum®* program is an omnichannel program that allows members to earn and redeem points online and in-store, seamlessly. This program engages members through mass promotions and targeted one-to-one promotional offers, as well as invitations to exclusive events and member-only shopping experiences. *plum® PLUS* offers its members an immediate discount on eligible products, free shipping, and the ability to earn points on almost every dollar spent at the Company’s Canadian stores, as well as on its digital platforms.

The Company believes that both tiers of the *plum®* loyalty program are important in generating significant customer engagement and value. In addition, the program enables the Company to better understand customers’ needs, driving incremental sales and generating long-term customer engagement through optimization of the Company’s strategy, marketing, and promotions. The Company continues to evolve the program’s benefits and tiers, to ensure that it stays relevant and engaging for customers and meets the Company’s objectives.

INTELLECTUAL PROPERTY

The Company’s intellectual property rights, which include the trademarks used in its retail stores, its proprietary product brands, those associated with its loyalty programs, and those on its digital platforms, are considered important assets of the Company. The Company believes that its branding delivers significant value and is important to its competitive position.

The Company is the owner of numerous trademarks, private label design marks and trade names that are used and registered in Canada and in the United States. The Company also owns a number of domain names which are used in connection with its online business and digital presence. The domain names, which generally reflect its principal trademarks, include *www.indigo.ca*, *www.chapters.indigo.ca*, *www.indigo.com*, and *www.thoughtfull.co*.

The Company has developed, and continues to develop, proprietary products and various digital innovations as well as other unique property and ideas. In order to protect these proprietary products, innovations and unique property and ideas, the Company has implemented strategic processes to register patents, copyrights, trademarks, designs and domain names, both domestically and internationally.

INDIGO TEAM

Indigo was founded by Heather Reisman, based on her vision to bring a unique cultural destination to the Canadian retail marketplace. In fiscal 2023, Ms. Reisman transitioned from the role of Chair and Chief Executive Officer to Executive Chair. Peter Ruis, who had been serving as President since fiscal

2021, transitioned to the leadership role of Chief Executive Officer. Mr. Ruis continues to be responsible for leading the Executive Team, with the goal of fundamentally reshaping Indigo as a *Living with Intention* company and evolving the Indigo business model, while elevating the brand and driving profitable growth.

On June 7, 2023, the Company announced that four of its 10 directors had stepped down, being Frank Clegg, Howard Grosfield, Anne Marie O'Donovan and Dr. Chika Stacy Oriuwa, each of whom were independent, and that Ms. Reisman would be retiring from her role as Executive Chair effective August 22, 2023.

In order to deliver on its commitment to being a *Living with Intention* company, Indigo focuses on cultivating high-performing and engaged teams. Throughout fiscal 2023, the Company employed an average of approximately 5,000 people (on a full-time, part-time and casual basis) across its retail stores, distribution centres, head office and support offices. The number of part-time employees in the Company's retail stores and distribution centres fluctuates based upon seasonal demand.

The majority of Indigo's employees are not subject to a collective bargaining agreement. Collective bargaining agreements are in place with the hourly employees at five retail stores and the Company is currently negotiating collective bargaining agreement renewals with the hourly employees at two stores. For additional information, please refer to the section "Risk Factors – Labour Relations".

INFORMATION SYSTEMS

Indigo's technology group supports the Company's digital presence, infrastructure, retail and enterprise technology. The technology group's primary mission is to deliver exceptional service and reliable process driven technology solutions that delight customers, while accelerating sustainable business growth and facilitating high employee engagement.

The Company's current technology focus has been to modernize its digital platforms to support the accelerated growth and positive momentum experienced in ecommerce over the course of the last few years, striving to deliver a best-in-class digital experience to customers. Please see "Digital Platforms" above for more information.

The Company maintains a centralized enterprise resource planning (ERP) system to enable all supply chain and finance functions. The technology team also supports all of Indigo's in-store technology, including mobile tools for the Company's workforce and point of sale (POS) systems. The Company's digital platforms are built and maintained internally, but are being replaced with off-the-shelf SaaS platforms as part of ongoing modernization efforts.

As a result of the Ransomware Attack, various technological platforms used for Indigo's internal operations were impacted. See "Ransomware Attack Update" in this Annual Information Form for additional details.

SUPPLY CHAIN

The Company's supply chain ensures the end-to-end flow of product and information from product origin to the final retail customer. The Company has developed strong internal processes, as well as external partnerships with a significant number of best-in-class suppliers, agents, service providers, and contractors (collectively, "vendors"), to ensure product flows in a timely and cost-effective manner that meets the demands of customers. In parallel, cross-functional departments throughout the organization are focused on applying supply chain principles and processes that enable profitable growth. The

Company continues to invest in its supply chain processes to improve the flow of merchandise by upgrading systems, increasing capacity, and improving productivity.

Indigo's distribution network consists of three leased distribution centres, with over 1,000,000 square feet of total capacity. Two of the distribution centres are located in Brampton, Ontario, and consist of a dedicated retail distribution centre and an adjacent online distribution centre. The Company also operates a distribution facility in Calgary, Alberta, which primarily serves the Company's Western Canadian retail stores. To transport goods to its distribution centres and retail network, Indigo has built strategic relationships with a series of dedicated and common carrier transportation companies that ensures the ability to deliver products in a cost-effective, accurate and timely manner. To support ecommerce sales, the Company deploys a number of national and regional urban-centric final mile solutions to deliver its ecommerce customer orders. The Company also engages with certain vendors on dropship fulfillment terms, which allows the Company to enhance its assortment without adding capacity requirements to its supply chain.

In fiscal 2023, the Company reduced the number of final mile carriers in an effort to optimize service and reduce costs. As a critical part of the ecommerce supply chain, the Company is focused on ensuring agility, scalability and flexibility.

SEASONALITY

The Company's business is highly seasonal and follows quarterly sales and earnings (loss) fluctuation patterns, which are similar to those of other retailers that are highly dependent on the holiday sales season. A disproportionate amount of revenues and earnings are earned in the Company's third quarter. As a result, quarterly performance is not necessarily indicative of the Company's performance for the rest of the year, and the impact of certain Risk Factors identified below would have a disproportionate impact to the Company's financial performance should any such events occur during the holiday sales season.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Environmental Sustainability

Indigo is committed to moving quickly and with determination towards a sustainable future.

In fiscal 2022, the Company released its Net-Zero Roadmap, outlining the details of its bold plan to reach net-zero emissions by 2035. In fiscal 2023, Indigo released its first annual Climate Report demonstrating progress towards its goals and commitments. Indigo's net-zero journey focuses on minimizing the operational impacts from its facilities, waste, and logistics. Indigo also aims to reduce its emissions through sourcing and advocacy initiatives that will encourage suppliers and publishers to prioritize sustainable materials and responsible production practices.

Indigo has set its focus on the following goals:

1. To deliver environmentally sustainable products by leveraging sustainable designs, responsible sourcing practices, and certified sustainable materials.
2. To emit zero emissions in Indigo facilities through energy-efficiency measures and to invest in renewable energy for those emissions it cannot directly reduce.
3. To reduce the emissions from Indigo's inbound and outbound transportation through operational efficiencies and by moving towards cleaner logistics.
4. To divert 99 percent of Indigo's retail stores' and distribution centres' waste to recyclable and compostable streams. Indigo aims to reduce the overall tonnage of waste created, ensuring it is not sent to landfills or for incineration.

5. To ensure that children across Canada, particularly those living in high-needs communities, have access to high-quality books that teach them about environmental issues and responsible environmental stewardship.
6. To inspire and support Indigo employees and customers to live their *life, on purpose*™, in their quest to live in harmony with our planet.

The Company continues to pay fees to all applicable provincial stewardship programs to help fund the costs of collecting, transporting, recycling, and safely disposing of consumer waste that results from the Company's selling activities. These fee contributions vary across provinces.

Diversity, Equity and Inclusion

Indigo is committed to embedding diversity, equity and inclusion ("DE&I") in the Company; to create a culture where every employee feels like they can be their full, authentic self at work, and where all communities feel represented and welcomed with joy.

The Company became the first major Canadian retailer to sign the "15 Percent Pledge", committing to increase its representation of books written by Black, Indigenous and People of Colour ("BIPOC") authors and BIPOC owned third-party brands for its lifestyle business to a benchmark of 15 percent. Fiscal 2023 marked the two-year anniversary of the Company joining the 15 Percent Pledge, and the Company exceeded 15 percent representation across its print business.

In fiscal 2022, the Company engaged Diversio – a diversity and inclusion intelligence company, to conduct its first ever census on employee experience and representation. The goal was progress, and the Company exceeded the retail industry average in all five indicator areas, based on participation across every part of its business. Following the results of the survey, the Company further aligned its DE&I strategy to address more inclusive benefits, time off, and on integrating DE&I further into core functional roles, with an emphasis on cross-functional relationships. Indigo's recent update to its Code of Conduct includes a section dedicated to fostering DE&I. In addition to prioritizing diversity at the Board level, the Company has hired a dedicated resource to lead its DE&I agenda. The Company continues to maintain its Diversio certification and partnerships with external resource groups, including the Canadian Centre for Diversity and Inclusion ("CCDI").

Indigo made important strides towards its commitment in fiscal 2023. Based on the Global Diversity Equity and Inclusion Benchmarks model, the Company's evolved DE&I strategy provides a shared direction for all business units to further their DE&I efforts and embed DE&I into the organizational culture and goals. Moving forward, the Company is looking to continue building on past learnings and to further its DE&I strategies and programming.

Responsible and Ethical Sourcing

Indigo is committed to conducting business in an ethical and socially responsible manner, and seeks to work with business partners who abide by the same principles. The Company has a Vendor Code of Conduct (the "Code"), and expects its vendors to embrace this commitment to integrity by complying with the standards detailed in the Code, and to communicate these standards to their workers and suppliers. This Code is based on the United Nations Universal Declaration of Human Rights, the International Labor Organization's Conventions and Recommendations and other internationally accepted standards. The Company also has a Social Compliance Program which affirms Indigo's strong position on key labour practices around the world that includes, without limitation, the Company's position against child labour, forced labour, discrimination and abuse/harassment, as well as support for fair wages, benefits, working hours, and health and safety practices.

Children’s Literacy and Community Outreach

The Company supports a separate registered charity, called the Indigo Love of Reading Foundation (the "Foundation”), which is committed to addressing educational inequality, and more specifically, the literacy crisis in Canada. The Foundation runs annual national granting programs such as the Literacy Fund Grant, which is a multi-year grant provided to high-needs schools across the country; and the Adopt a School program, a grassroots fundraising initiative that unites Indigo, its retail stores, Indigo's staff, local schools, and their communities. In addition, the Foundation provides resources including new books and learning materials, training and year-round curation support to help ensure teachers, education staff, school administrators and other key stakeholders have the tools they need to promote literacy in their communities. With the support of the Company, its customers, employees, and suppliers, the Foundation has committed over $35.0 million to more than 1,000,000 students across Canada since 2004. The Foundation is dedicated to giving back to communities in need, while at the same time raising awareness about the critical importance of children's literacy in Canada.

RISK FACTORS

The Company is exposed to a variety of risk factors and has identified the principal risks inherent in its business. The relative severity of these principal risks is impacted by the external environment and the Company’s business strategies and, therefore, will vary from time to time.

The Company cautions that the following discussion of risk factors that may affect future results is not exhaustive. The Company’s performance may also be affected by other specific risks that may be highlighted from time to time in other public filings of the Company, which are available on the Canadian securities regulatory authorities’ website at *www.sedar.com*. When relying upon forward-looking information to make decisions with respect to the Company, investors and others should carefully consider these factors, as well as other uncertainties, assumptions, global macro-economic and geopolitical events (including war, acts of terrorism and civil disorder), industry, and Company-specific factors that may adversely affect future results. The Company assumes no obligation to update or revise previously filed public documents to reflect new events or circumstances, except as required by law.

PUBLIC HEALTH CRISES

The Company could be negatively affected by the adverse impacts of any outbreaks of epidemics, pandemics, or other public health crises, including the ongoing impacts of the COVID-19 pandemic.

As a result of the COVID-19 pandemic, to protect the health and safety of its customers and employees, the Company complied with government-mandated rolling store closures and store capacity restrictions, which negatively impacted retail revenues. Changes in consumer behaviour and preferences, global supply chain disruptions, and fluctuating commodity prices, amongst other impacts, further affected the Company’s operations and financial results.

Any future health crises, along with any ongoing impacts of the COVID-19 pandemic, may directly or indirectly materially and adversely affect the Company’s operations and financial results in future periods. The full extent depends on developments which cannot be predicted. Investors should also refer to the discussion in the “Statement on COVID-19”.

ECONOMIC ENVIRONMENT

Traditionally, retail businesses are highly susceptible to market conditions. Economic conditions, both on a global scale and in particular markets, may have significant effects on consumer confidence and spending. The inflationary pressures present in the Canadian economy as at April 1, 2023 and anticipated to continue in fiscal 2024 could curtail consumer spending. A decline in consumer spending, especially during the third quarter holiday sales season, could have an adverse effect on the Company's financial condition. Pandemics, such as the COVID-19 pandemic, and the related governmental, private sector and individual consumer responses could reduce retail traffic and consumer spending, result in temporary or permanent closures of stores, offices, and factories, and could disrupt the material flow of goods, which could have an adverse effect on the Company's financial situation. Other variables, such as unanticipated increases in merchandise costs, higher labour costs, increases in shipping rates or interruptions in shipping service, foreign exchange fluctuations, political uncertainty, disruptions in international trade, the impact of natural disasters, geopolitical events or acts of terrorism, or higher interest rates, inflation, or unemployment rates, could also unfavourably impact the Company's financial performance.

COMPETITION

The retail industry is highly competitive and continues to experience ongoing changes in a rapidly evolving environment.

The Company competes in the book category with specialty and independent bookstores, other book superstores, regional multi-store operators, mass merchandisers, supermarkets, retail pharmacies, warehouse clubs, online booksellers, publisher direct-to-consumer operations and other retailers who sell physical book offerings, often at substantially discounted prices. Many of these competitors, as well as other retailers, also offer e-reading options, which compete for share of the customer's discretionary book and entertainment budget.

The general merchandise retail landscape also features significant competition from established retailers and disruptive ecommerce options, and there can be no assurances that the Company will be able to gain market share. The Company competes with specialty, mass, local, regional, national, and international retailers and direct-to-consumer companies that sell lifestyle and specialty toy products through both physical and digital platforms. New competitors frequently enter the market and existing competitors may increase market presence, expand merchandise offerings, add new sales channels, or change their pricing methods, all of which increase competition for customers.

Many of the Company's current and potential future competitors are global, have higher brand recognition, larger online presences and access to greater financial, marketing and other resources. The size and resources of such competitors may allow them to compete more aggressively, which could adversely impact Indigo's revenue, market share and operating margins. In addition, increased efforts by such competitors, including the introduction of new and innovative products, at accessible price points, as well as aggressive expansion, merchandising or discounting, could reduce the Company's revenue, market share, and operating margins.

CONSUMER TRENDS

The Company's success largely depends on its ability to anticipate and respond to shifts in consumer trends in an agile manner. The general merchandise business is particularly susceptible to changing consumer preferences that cannot be predicted with certainty. If the Company is unable to adequately respond to changing consumer trends or forecasts sales that do not match consumer demand, it could experience higher inventory markdowns or an inventory shortage, both of which would have an adverse effect on sales and profitability. This risk is mitigated by the Company's focus on building an assortment of innovative products which resonate with consumers, including through its proprietary brands, and by the breadth of the Company's product range across diversified categories.

STRATEGIC INITIATIVES AND GROWTH STRATEGY

The retail industry is constantly changing and management is committed to the Company's continued growth and success. The Company will continue to change and modify its strategy based on its economic environment however, there can be no assurances that Indigo's strategy will be successful.

The Company may be subject to growth-related risks as it undertakes its strategic initiatives, such as expansion into new markets or the launch of new initiatives. Undertaking such initiatives could place a significant strain on the Company's management, operations, technical performance, financial resources, and internal financial control and reporting functions, as well as the inability to realize said initiatives. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with growth may have a material adverse effect on the Company's financial condition, results of operations and prospects.

CORPORATE REPUTATION

The Company's corporate reputation and those of its brands are very important to Indigo's success and competitive position. The Company's reputation and, consequently, its brand, may be negatively affected by the various risk factors described herein, some of which may be outside of Indigo's control.

The use of social media platforms and other forms of Internet-based communications that provide individuals with access to a broad audience of consumers and other interested persons is omnipresent. The availability and impact of information on social media platforms is virtually immediate and many social media platforms publish user-generated content without filters or independent verification as to the accuracy of the content posted. The opportunity for dissemination of information, including inaccurate information, is effectively without limit and may negatively impact the Company's reputation and future-oriented prospects.

The Company's business could be adversely affected by social reform movements seeking to change business practices by bringing public awareness to issues through store protests and/or social media campaigns. Ineffective action or perceived inaction pertaining to the Company's industry and business could adversely affect its reputation.

Other adverse events may also damage the Company's reputation and brands at the corporate or retail level. Should negative factors materialize and diminish Indigo's brand equity, there could be a material adverse effect on the Company's operations and financial condition and performance.

CULTURE

Failing to build and maintain a unique values-based culture that promotes trust, collaboration, dignity, mutual respect, entrepreneurial spirit, accountability, engagement, operational excellence, and high performance amongst and by the Company's employees and leadership team may negatively affect its operational performance, adversely impact its ability to satisfactorily execute on strategic initiatives and adversely damage the Company's reputation. The strength of Indigo's brand is sustained, in part, through its culture.

KEY BUSINESS RELATIONSHIPS

Indigo relies heavily on its print and general merchandise suppliers to deliver merchandise within agreed upon timelines and on acceptable commercial terms. These suppliers are impacted by, amongst other things, increases in input costs, availability of raw materials, inflation, labour disputes and disruptions, regulatory changes, political or economic instability, natural disasters, geopolitical risks, trade restrictions, border restrictions, tariffs, currency exchange rates and transport costs. Collectively and individually, these factors are beyond the Company's control and a failure to maintain competitive terms and strong relationships with these suppliers, or the absence of key suppliers, may affect the Company's ability to compete in the marketplace.

A significant portion of the Company's general merchandise assortment is purchased from overseas suppliers. As such, events causing disruptions to imports, changes in trade restrictions and tariffs, or currency fluctuations could negatively impact the Company's revenues and margins. The Company does not enter into long-term contracts with overseas suppliers and generally operates without assurances of continued supply or stable commercial terms. To date, the Company has not experienced any significant difficulty in sourcing merchandise and considers its supply base to be adequate. The Company has continued to experience fluctuations in timelines and costs associated with overseas shipments as the global supply chain continues to recover from the effects of COVID-19 and the Russia-Ukraine conflict.

The Company is also reliant on third parties to provide services which are essential to daily operations. Any disruption to these third-party services could have an unfavourable impact on the Company's performance and reputation, including significant negative impact in areas such as supply chain logistics, software development and support, transaction and payment processing, and other key business processes. The Company cannot make any assurances that it would be able to arrange for alternate or replacement contracts, transactions, or business relationships to mitigate the impact of disruptive events related to key service providers.

Indigo is in the process of modernizing its digital operations, including a complete redevelopment of the Company's website and omnichannel technology. This digital transformation effort has resulted in a greater dependence on third-party technology and cloud computing providers to ensure that critical business and consumer facing systems are functional and secure. Disruptions to the reliability of these systems could lead to a negative impact on the Company's performance and reputation.

Indigo relies on third-party logistics partners to fulfill sales transactions with its customers in a dependable and timely manner for its ecommerce business. Changes in geographic coverage, service levels, capacity levels, financial stability and labour disruptions at the Company's logistics partners, may adversely affect Indigo's business and financial results.

WORKPLACE WELLNESS, HEALTH AND SAFETY

The failure of the Company to create a healthy and safe workplace for all employees, to adhere to appropriate health and safety procedures and to ensure compliance with applicable laws and regulations could result in employee injuries, productivity loss, and liabilities to the Company. To reduce the risk of workplace incidents, the Company has comprehensive health and safety programs in place and has established policies and procedures aimed at ensuring compliance with applicable legislative requirements. In addition, the Company continues to monitor the status of the COVID-19 pandemic.

REMOTE WORK

The Company has adopted a hybrid work model for most of its head office roles which allows for some portion of work to be conducted remotely from employees' homes or other locations. Remote work introduces certain additional risk factors that may negatively impact the Company's ability to perform its operations efficiently, securely and without interruptions, including increased cybersecurity threats; increased dependence on telecommunication links such as Internet access in employees' homes; decreased efficiency due to the change in equipment and network speeds used for data processing and use; and the timely dissemination and exchange of information in a remote workforce environment.

TALENT

The Company's continued success will depend to a significant extent upon securing and retaining sufficient talent in management, on the Company's Board of Directors, and other key areas. Throughout the course of their employment, employees develop specialized skills and an in-depth knowledge of the business. Failure to effectively attract and retain talented and experienced employees or failure to establish adequate succession planning at all levels of the Company could result in a lack of requisite knowledge, skill and experience. If the Company does not continue to attract qualified individuals, adequately train them in Indigo's business model, support their development, and retain them, the Company's performance could be adversely impacted and growth could be limited. The loss of the services of key personnel, particularly the Chief Executive Officer, could have a material adverse effect on the Company. To mitigate the risk of personnel loss, the Company has implemented a number of employee engagement and retention strategies.

The Company may be negatively impacted by the loss of the services of key personnel and challenges in connection with management team and Board transitions, including but not limited to the changes discussed under "Indigo Team" in this Annual Information Form. Any of such events could have a material adverse effect on the Company.

LABOUR RELATIONS

The majority of the Company's employees are not subject to a collective bargaining agreement. Unions may attempt to organize and represent the Company's employees, and if a significant number of employees were to become unionized, the resulting collective agreements could have adverse consequences for the operational or financial conditions at the impacted location(s). Additionally, the maintenance of a productive, engaged and efficient labour environment cannot be assured and a failure to maintain such an environment, or a failure to successfully negotiate collective agreements, could lead to labour disputes, disruptions or work stoppages involving some or all of the Company's employees which could adversely affect Indigo's reputation, disrupt its operations, reduce its revenues and/or increase its costs related to resolving such a dispute.

INVENTORY MANAGEMENT

The Company must manage its inventory levels to successfully operate the business. Inventory purchases are based on several variables, such as market trends and sales forecasts. An inability to respond to changing customer preferences or sales forecasts which do not match customer demand may result in an inventory shortage or excess inventory that must be sold at lower prices. While the majority of the Company's book purchases are eligible for return to suppliers at full credit, the evolution of the Company's product assortment, namely general merchandise items, means the Company has an increasing amount of non-returnable inventory. The Company engages with a growing number of vendors on dropship fulfillment terms, mitigating the inventory management risk and offering the Company greater flexibility to respond to changes in customer demand. The Company also works with general merchandise vendors to negotiate promotional and markdown support to aid in the successful exit of non-returnable products. The Company monitors the impact of customer trends on inventory turnover and obsolescence, but inappropriate inventory levels could negatively impact the Company's revenue and financial performance.

PRODUCT QUALITY AND PRODUCT SAFETY

The Company sells products produced by third-party suppliers and manufacturers and relies on vendors to provide quality merchandise compliant with all applicable laws. Some of these products may expose the Company to potential liabilities and costs associated with defective products, product handling, and product safety. As part of its general merchandise assortment, the Company also sells food and personal care products and is subject to the distinctive risks associated with those products.

These product quality and product safety risks could result in harm to the Company's customers and could expose Indigo to product liability claims, damage the Company's reputation, and lead to product recalls. Liabilities and costs related to product quality and product safety may also have a negative impact on the Company's revenue and financial performance. The Company has policies and controls in place to manage these risks, including maintaining liability insurance and offering product safety guidance to third-party manufacturers, but there can be no assurance that these measures can fully eliminate the negative impact of such risks.

ETHICAL SOURCING

Products that are sourced from factories in countries for which there is a high level of public scrutiny pertaining to working conditions and labour regulations introduce a heightened level of reputational and brand risk. In order to mitigate these risks, the Company works with its suppliers to ensure that products are sourced, manufactured, and transported according to the standards outlined in its Vendor Code of Business Conduct. This Code is based on the United Nations Universal Declaration of Human Rights, International Labor Organization Conventions and Recommendations and other internationally accepted standards.

SUPPLY CHAIN

The Company is dependent on three distribution facilities, including two co-located at the same leased facility in Brampton, Ontario, to fulfill inventory requirements for its retail network, and the majority of online channel sales. If one or more of the Company's distribution facilities becomes inoperable, capacity is exceeded or if operations are disrupted, Indigo's business, financial condition and operating results could be negatively affected. The Company depends on the orderly operation of the receiving and distribution processes, which rely on adherence to shipping schedules, sufficiently planned capacity, and the timely performance of services by third-party logistics providers, among other effective distribution centre management practices.

A substantial portion of the Company's product assortment is sourced from foreign suppliers, lengthening the supply chain and extending the time between order and delivery. Accordingly, the Company is exposed to potential supply chain disruptions due to foreign supplier failures, pandemics, extreme weather events, geopolitical risk (including the downstream impacts of the Russia-Ukraine conflict), raw material and component shortages, labour disruption or insufficient capacity at ports, and risks of delays or loss of inventory in transit. Rising costs associated with inbound freight and courier services used by the Company to last mile ship may also adversely impact the business and its ability to operate profitably.

LIQUIDITY RISK

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due. Liquidity risk is managed by continuously monitoring actual and projected cash flows, taking into account the historical seasonality of the Company's revenue and working capital needs.

However, cash flows from operating activities could be negatively impacted by decreased demand for the Company's product offerings, which could result from factors such as, but not limited to: adverse economic conditions, impacts of the Ransomware Attack, general public health sentiments on retail store traffic and associated changes in consumer preferences. Operating cash flows could also be negatively impacted by increased expenses, and although the Company has the ability to alter its cost structure in response to such an event, the effectiveness and timing of those actions cannot be guaranteed.

Based on the Company's current business plan, liquidity position, cash flow forecast, and factors known to date, it is expected that the Company's current cash position, future cash flows generated from operations and the Credit Facility will be sufficient to meet its working capital requirements for fiscal 2024. However, the Company's ability to fund future cash requirements will depend on its future operating performance, which could be affected by the risks discussed. The Company could seek to raise additional funding in the event it fails to maintain sufficient liquidity and reduce capital spending if necessary. However, the current macro-economic environment continues to introduce additional risks to debt and equity capital markets, including the ability to access capital at a reasonable cost and the trading price of the Company's securities, which could impact future capital raising efforts if required by the Company. A long-term decline in capital expenditures may negatively impact the Company's revenue and profit growth.

RECEIVABLE CREDIT RISK

Indigo is exposed to credit risk resulting from the possibility that counterparties may default on their financial obligations to the Company. Credit risk primarily arises from accounts receivable, cash and cash equivalents, and derivative financial instruments.

Accounts receivable primarily consists of receivables from financial institutions for the Company's sales by credit card tender, recoveries of credits from suppliers for returned or damaged products, tenant allowances receivable from landlords for renovations and lease inducements and receivables from other companies for sales of products, gift cards, and other services. Credit card payments have minimal credit risk and the limited number of corporate receivables are closely monitored.

The Company limits its exposure to counterparty credit risk related to cash and cash equivalents and derivative financial instruments by transacting only with highly-rated financial institutions and other counterparties and by managing within specific limits for credit exposure and term to maturity.

FOREIGN EXCHANGE RISK

The Company's foreign exchange risk is largely limited to currency fluctuations between the Canadian and U.S. dollars. Decreases in the value of the Canadian dollar relative to the U.S. dollar could negatively impact net earnings since the purchase price of some of the Company's products are negotiated with vendors in U.S. dollars, while the retail price to Indigo's Canadian customers is set in Canadian dollars. The Company also has a U.S. retail store that earns revenue in U.S. dollars and incurs U.S. dollar expenses. The Company maintains a hedging program to mitigate foreign exchange risk, but there can be no assurance that this program can fully eliminate the negative impact of such risk.

INTEREST RATE RISK

The Company's interest income is sensitive to fluctuations in Canadian interest rates, which impacts the interest earned on Indigo's cash and cash equivalents.

The Company's indebtedness under the Credit Facility will expose the Company to additional risks associated with fluctuating interest rates. Required interest payments will create financial risks including the need to divert funds identified for other purposes which could create additional cash demands and impact the Company's liquidity position. If the Company cannot generate sufficient cash flow from operations to service outstanding debt, it may be required to obtain the necessary funds through refinancing, disposing of assets, reducing expenditures, issuing equity, or other means. The current market volatility may adversely impact interest rates in the future, as well as the Company’s ability to borrow under the Credit Facility.

INDIGO CREDIT RISK

The Company is exposed to operational risk from the adverse impact of fluctuations in its own credit rating, which may hinder its ability to negotiate commercially favourable purchase terms and debt facilities.

The Company’s indebtedness under the Credit Facility may fluctuate, up to the principal amount thereof, at the Company’s discretion. The credit agreement in respect of the Credit Facility will contain financial covenants. The Company's ability to make additional borrowings under the Credit Facility will depend upon compliance with these and other covenants. The ability to comply with these covenants and requirements may be affected by events beyond the Company's control. Failure to comply with obligations under the Credit Facility could result in an event of default thereunder. A default, if not cured or waived, would prohibit the Company from obtaining further loans under the Credit Facility and permit the lender thereunder to accelerate payment of the loans. In addition, the lender would have the right to proceed against the collateral securing the Credit Facility, which will consist of substantially all of the Company’s assets. If the debt is accelerated, the Company cannot be certain that it will have funds available to pay the accelerated debt or that it will have the ability to refinance the accelerated debt on favorable terms, or at all. If the Company could not repay or refinance the accelerated debt, it could be insolvent and could seek to file for bankruptcy protection. Any such default, acceleration, or insolvency would likely have a material and adverse effect on the business.

The degree of leverage held by the Company could negatively impact the Company’s operations, through increased cash expense associated with interest, exposing the Company to debt capital market risk including interest rate risks, limiting the ability to obtain other forms of financing, and restricting flexibility of discretion over the operations of the business, amongst others.

COMMODITY PRICE RISK

The Company is exposed to increases in the prices of commodities in operating its stores and distribution networks, in its commitments to invest in information technology and digital infrastructure, as well as to the indirect effect of changing commodity prices on the price of consumer products. Rising commodity prices could adversely affect the financial performance of the Company.

Specifically, the Company’s financial performance can be affected by fluctuations in the commodity cost of oil, because of its exposure to fuel costs in its supply chain. The wholesale price of gasoline is subject to global oil supply and demand conditions, domestic and foreign political policy, commodity speculation, global economic conditions, and potential supply chain disruptions from natural and human-caused disasters, geopolitical events like the Russia-Ukraine conflict, or health events such as pandemics.

As the Company invests in strengthening its information technology and digital infrastructure, it is increasingly exposed to global supply shortages for semiconductors. Semiconductors are an essential component of electronic devices and they are made of pure elements. Supply and production capacity continues to lag behind historical levels after being adversely impacted by the COVID-19 pandemic and the geopolitical unrest stemming from Russia, the world's largest producer of palladium and high-grade nickel, potentially further escalating supply chain disruptions.

REAL ESTATE

The Company leases all of its retail locations, distribution centres and its head offices, and is thus susceptible to the risks associated with leasing real property. Some of these risks include the changing supply or demand for retail premises, redevelopment or rezoning of existing leased locations, inflationary pressures on labour and materials to construct new or renovate existing locations, a change in the mix of complementary co-tenants in retail centres where the Company operates and shifting consumer preferences that could negatively impact both the popularity of specific retail locations and the retail channel as a whole.

The Company enters into a variety of short, medium and long-term leases for its retail locations based on a variety of factors, such as store performance, demographic trends and developments in the market. Deal structures contemplate a range of financial commitments, including traditional fixed rent, percentage rent and combinations of both structures. Although leases are closely monitored by management, and the Company focuses on maintaining positive relationships with its landlords, there can be no assurances that the Company will be able to extend, renew or continue to lease its existing locations, or identify and secure alternative suitable locations on favourable terms and conditions. Unforeseen increases in occupancy costs, or costs incurred due to unanticipated store closings or relocations, could also unfavourably impact the Company's performance.

The Company subleases space in its retail store network to café vendors, exposing the Company to certain risks inherent in the commercial real estate business, including increase in re-leasing timelines, potential delays in lease-up of vacant space and the market terms at which such subleases can be executed. The Company is actively working with a number of new and existing café vendors, including local, regional and international brands, to bring those café experiences into the Company's retail locations, however there are no assurances that these negotiations will result in any new café locations, or that these partnerships will materially benefit the Company's financial position.

INSURANCE COVERAGE

The Company maintains insurance customary for businesses of its size and scope of operations, including liability insurance, property and business interruption insurance, cargo insurance, directors' and officers' insurance, crime insurance and cyber insurance, with deductibles, self-insured retentions, limits of liability and similar provisions. However, there is no guarantee that the insurance coverage will be sufficient, or that insurance proceeds will be paid out on a timely basis. In addition, there are types of losses the Company may incur but against which insurance cannot be procured or which is not economically reasonable to insure. If the Company incurs these losses and they are material, the business, financial condition and results of operations of Indigo may be adversely affected.

INFORMATION TECHNOLOGY AND DIGITAL PLATFORMS

The Company increasingly depends on the proper operation of its information technology platforms and those of third parties to successfully conduct daily business functions, including point-of-sale processing at stores, the operation of its ecommerce channel, maintaining its competitive position in the marketplace and enabling its growth strategy. The increased adoption of ecommerce has heightened the potential impact of various risk events including website downtime and other technical failures that could adversely impact revenues and affect the Company's ability to grow its digital channels.

The Company uses third-party cloud-based and traditional data centre facilities to support its technology infrastructure. The continuous availability of its products depends on the operations of these facilities, on a variety of network service providers, on third-party vendors and on data centre and cloud operations staff. In addition, the Company depends on the ability of its third-party facility providers to protect their facilities against damage or interruption from natural disasters, power or telecommunications failures, criminal acts and similar events. If there are any lapses of service or damage to the facilities, the Company could experience lengthy interruptions in its services, as well as delays and additional expenses in arranging new facilities and services.

As described above in "Description of the Business – Information Systems", the Company continues to invest in new technologies to expand its competitiveness and customer experience. Customers expect innovative concepts and a positive customer experience, including a user-friendly website, customer offerings that are integrated with the Company's loyalty program, reliable data, safe and reliable processing of payments and a well-executed merchandise pick up or delivery process. Any failure in the implementation of these solutions, the operation of current information technology systems, platforms or third-party cloud-based processing could result in a significant disruption to the business, potentially negatively impacting revenue or damaging the Company's reputation. Furthermore, the Company continues to rely on certain legacy technologies and systems and any failure to maintain and support these legacy systems or migrate to new technology systems could impact Indigo's operational effectiveness. If systems are damaged or cease to function properly, capital investment may be required.

The rapid and exponential growth of cloud computing and ecommerce has resulted in the emergence of a global ecosystem of digital tools and applications that have been increasingly adopted by the Company and its peers. These cloud-based solutions promote competitiveness while offering the flexibility to respond to evolving business initiatives and have been increasingly adopted by the Company. Migration to cloud-based providers has increased reliance on third-party technology providers and the associated exposure to risks of such service providers ceasing business operations, changing their business models, reducing functionality or experiencing cyber attacks or system outages. The Company is also vulnerable to the risks associated with infrastructure complexity, vendor lock-in, and people risks associated with knowledge management and skills change.

CYBERSECURITY

A failure, or breach of the Company's information technology, operational or procedures, security systems, physical infrastructure, or those of Indigo's third-party vendors, cloud-based service providers, including as a result of cyber attacks, could disrupt the business, and result in the unintended disclosure or misuse of confidential or proprietary information, damage Indigo's brand and reputation, lead to temporary or permanent loss of data, increase the Company's remediation costs and legal liabilities, and impact its financial position and/or ability to achieve its strategic objectives.

Cyber threats continuously increase in sophistication, and may become more difficult to anticipate, and detect on a timely basis. Indigo has invested substantially to increase its IT-security posture, however, a lapse in cybersecurity, or successful cyber attack, may defeat the Company's security measures or those of its cloud-based service providers or third-party vendors. This includes the risk that the Company's website and digital platforms may be subject to distributed denial-of-service attacks in the future, a technique used by hackers to take an Internet service offline by overloading its servers. To mitigate these risks, Indigo has reinforced its Third-Party Risk Management ("TPRM") process, which include deploying reputable and reliable security measures.

Techniques used to obtain unauthorized access change frequently, ranging from denial-of-service attacks to social engineering. Ransomware attacks are increasing exponentially while phishing attempts remain a constant industry threat. Indigo has deployed Endpoint Detection and Response ("EDR") solutions on all assets to reduce the risk of compromise. Since techniques used to obtain unauthorized access change frequently, the Company has deployed multi-factor authentication requirements for any access to Indigo's network, along with tighter security to manage privileged accounts. A data loss or security breach stemming from one of these ransomware or denial of service attacks could delay or interrupt service to the Company's customers. In addition, any actual or perceived cyber attack or security breach could damage the Company's reputation and brand, expose the Company to a risk of litigation and possible liability, and require the Company to expend significant capital and other resources. These collective risks have been heightened in recent years as threat actors have notably taken concerted efforts in the retail industry and the broader market to take advantage of disruptions associated with the COVID-19 pandemic and other previously unreported flaws in third-party software as widely reported in the media.

While the Company relies on technology, training and robust processes to create secure technology systems, Indigo places specific reliance on technology to ensure the secure transmission of information from its customers, such as credit and debit card numbers or any other form of payment or loyalty program data. Indigo's adoption of point-to-point encryption technology secures the Credit Card Primary Account Number (PAN). The Company also receives, transmits and stores a large volume of personally identifiable information from current and potential customers which is exposed to risk. There are also federal, provincial and foreign regulations regarding privacy and the storing, sharing, use, disclosure and protection of personally identifiable information and sensitive data; please see the "Compliance with Privacy Laws" Risk Factor below.

Although Indigo has business continuity plans, business interruption and cyber insurance coverage, robust information security procedures, employee security awareness training, and other safeguards in place, the Company's business operations may be adversely affected by significant and widespread disruption to its physical information technology infrastructure, networks, and cloud-based service providers. As the cyber threat landscape evolves, the Company has expended significant additional resources to modify or enhance its protective measures to protect against, among other things, security breaches, computer viruses and malware, ransomware, phishing, hacktivism, cyberterrorism, denial-of-service attacks, credentials compromise, or to investigate and remediate any information security vulnerabilities. Additionally, please see the "Remote Work" Risk Factor and "Ransomware Attack Update" in this Annual Information Form.

DISASTER RECOVERY AND BUSINESS CONTINUITY

Weather conditions, as well as events such as political or social unrest, natural disasters, disease outbreaks such as the COVID-19 pandemic, cyber attacks, or acts of terrorism, could have a material adverse effect on the Company's operations and financial performance. Moreover, if such events were to occur at peak times in the Company's business cycle, the impact of these events on operating performance could be significantly greater than they would otherwise have been. The Company has procedures in place to reduce the impact of business interruptions, crises, and potential disasters, but there can be no assurance that these procedures can fully eliminate the negative impact of such events.

INTELLECTUAL PROPERTY

The Company depends on its continued ability to use its intellectual property to increase brand awareness and further develop brands and products. Infringement of the Company's intellectual property could negatively affect the Company's revenue, profitability and reputation. While the Company is not currently aware of any infringement or material challenges to the use of its trademarks and domain names in Canada or the United States, the Company has a strategy and processes in place to protect and vigorously defend its intellectual property, but there can be no assurance that these measures can fully eliminate the negative impact of such risks.

The Company may also face claims from third parties asserting that the Company's use of intellectual property infringes on such third party's ownership or use rights. The defence of any such claims or litigation could result in substantial expense and diversion of resources. There is no guarantee that the

Company will be able to resolve such claims and disputes to its satisfaction, and if the Company is unable to successfully defend itself against these claims, it could adversely affect the Company's reputation, operations and financial condition and performance. Please see the "Legal Proceedings" Risk Factor below.

LEGAL PROCEEDINGS

From time to time, in the normal course of business, Indigo becomes involved in litigation and disputes. The outcomes of regulatory investigations, litigation and arbitration disputes are inherently difficult to predict, which creates the risk that an unfavourable outcome in any of these matters could negatively affect the Company's reputation, operations and financial condition and performance. Regardless of the outcome, litigation may result in substantial costs and expenses to the Company and significantly divert the attention of the Company's management. While the final outcome of such claims and litigation pending as at April 1, 2023 cannot be predicted with certainty, management believes that any such amount would not have a material impact on the Company's financial position.

REGULATORY ENVIRONMENT

The Company's operations and activities are subject to a number of laws and regulations in Canada, the United States and other countries. Changes to statutes, laws, regulations or regulatory policies, including tax laws, accounting principles, labour and employment standards, and environmental regulations, or changes in their interpretation, implementation or enforcement, could adversely affect the Company's operations and performance. The Company may incur significant costs in the course of complying with any such changes.

The Company is also subject to continuous examination of its regulatory filings by various securities regulators, tax authorities, and environmental stewards. As a result, authorities may disagree with the positions and conclusions taken by the Company in its filings, resulting in a reassessment or requiring a restatement. Reassessments or restatements could also arise from amended legislation or new interpretations of current legislation. Any reassessment or restatement could adversely affect the Company's financial performance.

Failure to comply with applicable regulations could also result in judgment, sanctions, or financial penalties that could adversely impact the Company's reputation and financial performance. The Company believes that it has taken reasonable measures designed to ensure compliance with applicable regulations, but there is no assurance that the Company will always be deemed to be in compliance.

The sourcing and importation of books into Canada is governed by the Book Importation Regulations to the *Copyright Act* (Canada). Any changes to the existing regulatory framework may impact the Company's ability to secure and maintain favourable terms and access to essential products, which could negatively impact the Company's revenues and margins and its ability to compete in the marketplace. Foreign investments to acquire control of Canadian "cultural businesses," which include businesses engaged in the sale and distribution of books, are subject to review under the *Investment Canada Act*. There is no assurance that the existing regulatory framework will stay the same in the future or that it will continue to act as a potential constraint on either (i) foreign-owned retailers from competing in Canada or (ii) the acquisition by foreign investors of Canadian retailers involved in cultural businesses. An increased number of competitors could have an adverse effect on the Company's financial performance. Please see the "Competition" Risk Factor above.

COMPLIANCE WITH PRIVACY LAWS

A number of Canadian federal and provincial statutes, as well as corresponding U.S. federal and state statutes, govern the privacy rights of the Company's employees and customers. These privacy laws create certain obligations regarding the Company's handling of personal information, including obtaining appropriate consent, limitations on use, retention, and disclosure of personal information, and ensuring appropriate security safeguards are in place. In the course of its business, the Company maintains records containing sensitive information identifying or relating to individual customers and employees. Although the Company has implemented systems and processes to comply with applicable privacy laws in connection with the collection, use, retention, and disclosure of such personal information, if a significant failure of such systems was to occur, the Company's business and reputation could be adversely affected. Furthermore, the imposition of additional regulations or the enactment of any new or more stringent privacy legislation may cause the Company to incur significant costs in the course of complying with any such changes.

CLIMATE CHANGE AND THE ENVIRONMENT

Environmental risks relating to the global transition to a net-zero economy and the physical impacts of climate change affect Indigo. Governments are moving to introduce climate change legislation and treaties at the international, national, state/provincial and local levels. Regulation relating to emission levels (such as carbon taxes) and energy use and efficiency is becoming more stringent. This trend could lead to an increased cost of compliance over time, the impact of which is not currently known.

The physical risk of climate change could also have an adverse effect on the Company's operations. These risks include extreme weather related events that could have an impact on store operations and supply chain and delivery logistics. The Company can provide no assurance that efforts to mitigate the risks of climate change will be effective and that the physical risks of climate change will not have an adverse effect on its operations.

The Company assesses its sustainability profile and environmental impact on a consistent basis, resulting in the release of its own Net-Zero Roadmap and 'Write the Future' campaign and the allocation of resources dedicated to sustainability efforts to achieve these impact goals. However, environmental regulation is subject to change and these changes and the Company's own initiatives with respect to environmental sustainability could result in material additional costs to the business over time.

DIVIDENDS

The Company did not pay any dividends in the most recent three fiscal years. Indigo has no contractual restrictions that would limit its ability to pay dividends in the future. Future declaration of quarterly dividends and the establishment of future record and payment dates are subject to the final determination of the Company's Board of Directors.

DESCRIPTION OF CAPITAL STRUCTURE

The authorized share capital of Indigo consists of an unlimited number of common shares, of which 27,497,711 common shares are issued and outstanding as at June 27, 2023.

Each common share entitles the holder thereof to one vote at the Company's shareholder meetings and to participate equally and rateably in any dividends declared on the common shares by the Board of Directors of Indigo, and in any remaining property or assets of the Company that may be distributed in the event of voluntary or involuntary liquidation, dissolution, or winding-up of Indigo.

CONSTRAINTS

For a discussion of constraints imposed on the ownership of the Company's securities under the Canadian cultural business framework of the *Investment Canada Act*, please refer to the section "Risk Factors – Regulatory Environment" above.

MARKET FOR SECURITIES

Common shares in the capital of Indigo are listed and posted for trading on the Toronto Stock Exchange (the "TSX") under the symbol IDG. There are currently no other classes of shares in the capital of Indigo issued or outstanding.

The following table sets out the price ranges and volumes traded for the Company's common shares on the TSX on a monthly basis for each calendar month in fiscal 2023.

Month	High ($)	Low ($)	Volume
April 2022	3.99	3.45	266,989
May 2022	3.96	3.34	264,070
June 2022	3.83	2.69	816,386
July 2022	3.70	3.20	118,994
August 2022	3.86	2.52	383,636
September 2022	2.80	1.80	367,490
October 2022	2.35	1.85	157,924
November 2022	2.49	1.86	760,684
December 2022	2.30	1.80	324,043
January 2023	2.40	1.86	178,319
February 2023	2.41	1.85	255,283
March 2023	2.10	1.80	203,054

DIRECTORS AND OFFICERS

The following table and notes state the names and provinces or states of residence of all the Company's directors and executive officers as at June 27, 2023, their respective principal occupations, business, or employment within the five preceding years, their beneficial ownership of common shares and, with respect to the directors, the year in which they became directors of Indigo. Each director will hold office until the Company's next annual shareholders' meeting, or until such director's successor is duly elected, unless the office is earlier vacated in accordance with the by-laws of Indigo.

Name, Province or State, and Country of Residence	Position and/or Office with Indigo	Present Principal Occupation, if Different from Office Held	Director Since	Common Shares Beneficially Owned, Controlled or Directed as at June 27, 2023[(1)]
HEATHER REISMAN[(4)] Ontario, Canada	Executive Chair and Director	n/a	February 4, 2001	1,272,691 common shares
JONATHAN DEITCHER[(2)] Quebec, Canada	Director	Investment Advisor, RBC Dominion Securities (wealth management company)	August 7, 2001	60,000 common shares
MITCHELL GOLDHAR Ontario, Canada	Director	Executive Chairman and CEO of SmartCentres REIT (real estate investment trust) and owner of Penguin Group of Companies (commercial real estate development company)	February 2, 2006	nil common shares
ROBERT HAFT[(3)] Washington, DC, USA	Lead Director	Managing Partner, Morgan Noble Healthcare Partners (investment firm specializing in healthcare)	November 3, 2015	nil common shares
ANDREA JOHNSON[(5)] California, USA	Director	Co-Founder and Chief Executive Officer of Rally Reader, LLC (digital reading platform for children)	November 8, 2016	4,925 common shares
DONALD LEWTAS[(2)(6)] Ontario, Canada	Director	Corporate Director	June 16, 2023	nil common shares
PETER RUIS[(7)] Ontario, Canada	Chief Executive Officer and Director	n/a	September 5, 2022	nil common shares
GERALD SCHWARTZ Ontario, Canada	Director	Chairman, Onex Corporation (diversified company)	February 4, 2001	15,501,974 common shares[(8)]
JOEL SILVER[(2)(9)] California, USA	Director	Founder and Consultant, Polar Growth Partners, LLC	June 16, 2023	nil common shares
ANDREA LIMBARDI[(10)] Quebec, Canada	President	n/a	n/a	nil common shares

GILDAVE (GIL) DENNIS(11) Ontario, Canada	Chief Operating Officer	n/a	n/a	nil common shares
CRAIG LOUDON(12) Ontario, Canada	Chief Financial Officer and Executive Vice President, Supply Chain	n/a	n/a	nil common shares
DANIEL MARCOTTE(13) Quebec, Canada	Interim Chief Technology and Information Officer	n/a	n/a	nil common shares
KATHARINE POULTER(14) Ontario, Canada	Chief Commercial Officer	n/a	n/a	nil common shares

(1) As at June 27, 2023, the Company's directors and executive officers as a group, beneficially owned, directly or indirectly, or exercised direction or control over 16,839,590 common shares, representing approximately 61.24% of the outstanding common shares.

(2) Member of Audit Committee.

(3) Member of Human Resources, Compensation and Governance Committee.

(4) Ms. Reisman was appointed the Executive Chair of the Company in September 2022, stepping down from her role as Chief Executive Officer of the Company at that time.

(5) Ms. Johnson co-founded Rally Reader, LLC (developing software to assist in learning to read) in January 2019. She was a Principal of Envelo Properties Corp. from October 2016 to March 2021. Ms. Johnson is the daughter of Ms. Reisman, the Chair and Chief Executive Officer of the Company and Mr. Schwartz, who owns, directly or indirectly, a total of 15,501,974 common shares.

(6) Mr. Lewtas is a former Managing Director of Onex Corporation, serving in this role from 2015 to 2019. Prior to that, he held the position of Chief Financial Officer of Onex Corporation from 2008 to 2015.

(7) Mr. Ruis joined Indigo as its President in February 2021, and was appointed Director and Chief Executive Officer of Indigo in September 2022. Prior to joining the Company, he held the positions of Managing Director of Anthropologie URBN Group (2018 - 2021), and Chief Executive Officer of Jigsaw Group (2013 - 2018), respectively.

(8) Mr. Schwartz owns directly or indirectly, a total of 15,501,974 common shares held by Trilogy Retail Holdings Inc. and Trilogy Investments L.P. in aggregate representing approximately 56.4% of the outstanding common shares of Indigo. Ms. Reisman, who owns directly or indirectly, 1,272,691 common shares, is Mr. Schwartz's spouse.

(9) Mr. Silver is a consultant for Polar Growth Partners, LLC (consulting firm), which he founded in 2018. Prior to this, Mr. Silver held the position of President and Chief Executive Officer of DAVIDsTEA Inc. from 2017 to 2018.

(10) Ms. Limbardi was appointed President of the Company in September 2022. She has advised that she will be leaving the Company as of September 4, 2023. Ms. Limbardi has been with Indigo since 2002, holding roles of progressive responsibility. She held the position of Chief Customer and Digital Officer from June 2022 to September 2022 and the role of Chief Digital Officer from April 2021 to June 2022. From March 2020 to March 2021, Ms. Limbardi held the position of Senior Vice President and Chief Digital Officer. Prior to that, she held the position of Senior Vice President, Strategic Initiatives from April 2017 to March 2020.

(11) Mr. Dennis was appointed Chief Operating Officer of the Company in April 2019. He joined Indigo in December 2015 as the Executive Vice President, Retail and Human Resources.

(12) Mr. Loudon was appointed Chief Financial Officer and Executive Vice President, Supply Chain in February 2019. He joined the Company in August 2014 as Senior Vice President, Business Performance and has since held progressively senior Finance and Supply Chain roles. Mr. Loudon served as Interim Chief Financial Officer from February 2017 through to May 2017. In June 2017, he was designated Interim Executive Vice President, Supply Chain. From October 2017, Mr. Loudon served as Senior Vice President and Chief Supply Chain Officer until August 2018, when he was promoted to the position of Executive Vice President and Chief Supply Chain Officer.

(13) Mr. Marcotte was appointed Interim Chief Technology and Information Officer in April 2023. He also holds the position of Chief Information Security Officer (CISO). Mr. Marcotte joined Indigo in January 2022 as Vice President, IT Operations, Corporate Systems and CISO. Prior to joining Indigo, Mr. Marcotte was the CISO and Senior IT Operations Director at Groupe Dynamite (2019-2021) and an Associate Partner Security Strategy, Risk and Compliance at IBM in 2018. He was also responsible for the security program at Stikeman Elliot LLP (2012-2018).

(14) Ms. Poulter was appointed Chief Commercial Officer in August 2021. Prior to joining the Company, she held the position of Chief Executive Officer (February 2020 - July 2020) and Chief Operating Officer (January 2020 - February 2020) of Laura Ashley Holdings Plc, as well as Managing Director (August 2018 - January 2020) and Commercial Director (August 2017 - January 2020) of Wilko Brands Limited and Wilko Retail Limited, respectively.

Heather Reisman – *Executive Chair and Director.* Heather Reisman is the founder and Executive Chair of Indigo. Founded in 1996, Indigo merged with Chapters Inc. in 2001 to become the public entity it is today. Ms. Reisman is a member of the Board of Directors of Onex Corporation, as well as Mount Sinai Hospital. She was inducted into the Canadian Business Hall of Fame in 2015 and is an Officer of the Order of Canada. Ms. Reisman is a former Governor of the Toronto Stock Exchange and of McGill University. Ms. Reisman was educated at McGill University.

Jonathan Deitcher – *Director.* Jonathan Deitcher is an investment advisor with RBC Dominion Securities Inc. ("RBC DS") where he has been employed since 1974. He served as a member of the Board of Directors of RBC DS from November 2000 to September 2003. Mr. Deitcher was a Vice President at RBC DS from August 2004 to September 2021. Mr. Deitcher is a member of the Company's Audit Committee.

Mitchell Goldhar – *Director*. Mitchell Goldhar is a Canadian businessman and founder of SmartCentres, a commercial and residential real estate company. Mr. Goldhar is the Executive Chairman, Chief Executive Officer and largest unitholder of SmartCentres REIT, publicly traded on the TSX with over $11.7 billion in assets. Mr. Goldhar is also the owner of the Penguin Group of Companies, a private real estate company, with prime locations across Canada in various stages of development. In addition, Mr. Goldhar is the owner of Penguin Pick-Up, Revival Film Studios, Clevelands House Resort in Muskoka, and Maccabi Tel Aviv Football Club. Mr. Goldhar holds a BA degree in Political Science from York University and has been an adjunct professor with the Rotman School of Management, University of Toronto since 2004. Mr. Goldhar is a member of the Board of Onex Corporation and the Canadian Concussion Centre at Toronto General Hospital, and Director Emeritus with the SickKids Foundation.

Robert Haft – *Lead Director*. Robert Haft is the Managing Partner of Morgan Noble Healthcare, with 20 years of experience as an investor and CEO. He founded and was CEO of a retail book company, vitamin company, and automotive parts company. Mr. Haft currently serves as Chairman of Continuum Health, Consensus Health and Imagine Charter Schools. Mr. Haft holds an MBA and Master's degree in Design from Harvard and a Bachelor of Science from the Wharton School, where he served on the Undergraduate Board of Trustees. Mr. Haft is the Company's Lead Director and Chair of the Human Resources, Compensation and Governance Committee.

Andrea Johnson – *Director*. Andrea Johnson is the co-founder and Chief Executive Officer of Rally Reader, LLC, a digital reading platform for children. Rally Reader is the only AI-powered app that hears you read, tracks accuracy on a word-by-word basis, identifies errors, and provides real-time feedback. She was a Principal of Envelo Properties Corp. from October 2016 to March 2021. Ms. Johnson was also co-founder and CEO of ThisLife (2009-2013), a complete cloud solution for protecting, organizing, and sharing photos and videos. ThisLife was acquired by Shutterfly in 2013 and is now a key component of one of the largest photo platforms in North America. Prior to ThisLife, Ms. Johnson held the position of Director of E-Commerce at Pottery Barn. In addition to serving as a corporate director of Indigo, Ms. Johnson serves on the Advisory Board of Dartmouth's Magnuson Center for Entrepreneurship. She has been featured and quoted in many publications including: Forbes, Fortune, Business Week, Business 2.0, USA Today, PC World, TechCrunch, and All Things D. Ms. Johnson holds a BA degree from Dartmouth College and an MBA from Harvard Business School. Ms. Johnson is the daughter of Ms. Reisman, the Executive Chair of the Company and Mr. Schwartz, who owns, directly or indirectly, a total of 15,501,974 common shares.

Donald Lewtas - *Director.* Donald Lewtas is a former Managing Director at Onex Corporation, overseeing Onex' cross portfolio indirect sourcing and insurance initiatives from 2015 to 2019. Mr. Lewtas held the position of Chief Financial Officer of Onex Corporation from 2008 to 2015. Prior to that, Mr. Lewtas was Vice President, Finance, and Director of Finance at Onex. Prior to joining Onex in 1987, Mr. Lewtas held the position of Manager, Financial Reporting at Xerox Canada, and prior to that role, he was Senior

Manager with KPMG. Mr. Lewtas is a retired Fellow Chartered Accountant (FCA) and Fellow Chartered Professional Accountant (FCPA) and holds a Bachelor of Commerce degree from McGill University. Mr. Lewtas is Chair of the Company's Audit Committee.

Peter Ruis – *Chief Executive Officer and Director*. Peter Ruis joined Indigo as its President in February 2021 and was appointed as the Chief Executive Officer and a Director in September 2022. He is responsible for leading the Executive Team, fundamentally reshaping Indigo as a *Living with Intention* company, and transforming the Indigo business model while elevating the brand and driving profitable growth. Mr. Ruis has over 30 years of retail experience, with a strong track record in digital and omni-channel. Prior to joining Indigo, Mr. Ruis was Managing Director of Anthropologie URBN Group, where he shaped a unique position for the retailer as it expanded internationally. Prior to that, he was Chief Executive Officer of Jigsaw Group and held a number of executive positions at John Lewis, culminating in the role of Executive Buying and Brand Director. Mr. Ruis also serves as a member of the Board of Directors of Dunelm Group plc. Mr. Ruis holds a Bachelor of Arts degree in International History and Politics from the University of Leeds in the United Kingdom.

Gerald Schwartz – *Director.* Gerald Schwartz is the Chairman of Onex Corporation, one of North America's oldest and largest private equity firms, which he founded in 1984. Mr. Schwartz also held the position of Chief Executive Officer of Onex Corporation until recently stepping down in May 2023. He was inducted into the Canadian Business Hall of Fame in 2004 and was appointed an Officer of the Order of Canada in 2006. Mr. Schwartz is Vice Chairman of Mount Sinai Hospital and serves as a director, governor or trustee of a number of non-profit organizations. He holds a Bachelor of Commerce degree and a Bachelor of Laws degree from the University of Manitoba, a Master of Business Administration degree from Harvard University Graduate School of Business Administration and Honorary Doctorate degrees from six other universities.

Joel Silver - *Director*. Joel Silver is a consultant for Polar Growth Partners, LLC, a consulting firm targeting high-growth companies, which he founded in 2018. Prior to this, Mr. Silver held the position of President and Chief Executive Officer of DAVIDsTEA Inc. from 2017 to 2018. Mr. Silver previously served as a Director of Indigo from 2011 to 2017 and he also served as the Managing Partner of Trilogy Growth from 2011 to 2016, a limited partnership between Gerald Schwartz and Mr. Silver, that focused on investments in consumer and e-commerce businesses. Prior to that, Mr. Silver held the position of President of Indigo from 2009 to 2011. Mr. Silver holds an Honours Bachelor of Business Administration degree from Wilfrid Laurier University and a Master in Business Administration degree from Harvard University Graduate School of Business Administration. Mr. Silver is a member of the Company's Audit Committee.

Andrea Limbardi – *President*. Andrea Limbardi was appointed as President of the Company in September 2022, previously holding the role of Chief Customer and Digital Officer. Ms. Limbardi is responsible for leading Indigo's corporate strategy and international expansion, as well as the customer and digital functions. She has over 25 years of retail and hospitality experience. Ms. Limbardi has been with Indigo since June 2002, holding roles of progressive responsibility in retail stores and corporate office leadership positions. She is the founder of *thoughtfull.co*, a site dedicated to making gifting easy and joyful. Ms. Limbardi holds an MBA from the John Molson School of Business at Concordia University in Montreal. Ms. Limbardi has advised that she will be leaving the Company as of September 4, 2023.

Gildave (Gil) Dennis — *Chief Operating Officer.* Gil Dennis was appointed Chief Operating Officer in April 2019. He is responsible for driving customer-centric strategies and employee engagement that aligns with Indigo's vision, values, and culture. Additionally, Mr. Dennis has overall responsibility for the Company's retail operations, as well as the human resources, legal, real estate, store development and construction functions. Mr. Dennis has spent his entire career in retail. From 2011 to 2015, Mr. Dennis was Senior Vice President of Stores at dressbarn, a division of Ascena Retail Group. Prior to dressbarn, he worked at Best Buy for ten years in various retail and human resource leadership roles. Mr. Dennis joined the Company in December 2015 as Executive Vice President, Retail and Human Resources. He also serves as a Board Director for the Indigo Love of Reading Foundation. Mr. Dennis holds a Bachelor of Science in Management degree from the University of Phoenix.

Craig Loudon – *Chief Financial Officer and Executive Vice President, Supply Chain*. Craig Loudon was appointed Chief Financial Officer and Executive Vice President, Supply Chain in February 2019. He is responsible for Indigo's finance, accounting, internal audit, and loss prevention teams, and additionally leads Indigo's supply chain function. Mr. Loudon has over 25 years of experience in senior finance and operations roles in the retail, manufacturing, transportation and management consulting industries. He has held progressively senior finance and supply chain roles since joining Indigo in August 2014. Mr. Loudon also serves as a Board Director for the Indigo Love of Reading Foundation. Mr. Loudon holds an MBA from INSEAD, and a Bachelor of Commerce degree from McGill University.

Daniel Marcotte – *Interim Chief Technology and Information Officer*. Daniel Marcotte was appointed Interim Chief Technology and Information Officer in April 2023. He also holds the position of Chief Information Security Officer (CISO) of the Company. Mr. Marcotte is responsible for Indigo's information technology, information security and IT digital practices. He joined Indigo In January 2022 as Vice President, IT Operations, Corporate Systems and CISO. Mr. Marcotte has over 25 years of experience in information technology, with 18 years leading IT security across various industries. Specializing in risk and compliance, he worked for the United Nations before taking charge of the security and IT operations practices for well-established Canadian and American retailers. Prior to joining Indigo, Mr. Marcotte was the CISO and Senior IT Operations Director at Groupe Dynamite (2019-2021) and an Associate Partner, Security Strategy, Risk and Compliance at IBM in 2018. He was also responsible for managing the security program at Stikeman Elliot LLP (2012-2018). Mr. Marcotte holds a Bachelor of Computer Science and Management degree from McGill University, as well as multiple IT Security certifications.

Katharine Poulter – *Chief Commercial Officer*. Katharine Poulter was appointed Chief Commercial Officer in August 2021. She is responsible for leading Indigo's merchandise, planning, global sourcing, product development and quality teams. Ms. Poulter brings to Indigo a strong product development and merchant track record from Europe, with over 25 years of retail experience. She has held, amongst others, senior commercial leadership positions as Group Head of Trading at Habitat, Group Head of Product Development and Branding at Home Retail Group, Category Director at Kingfisher, Commercial Director at Wilko and most recently as Chief Executive Officer of Laura Ashley. She began her career at Marks & Spencer. Ms. Poulter holds a Bachelor of Science degree in Statistics and Managerial Science Techniques from the University of Cardiff in the United Kingdom.

CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

To the knowledge of the Company, no director or executive officer of the Company is, as at the date of this Annual Information Form, or was within the ten years prior to the date of this Annual Information Form, a director, chief executive officer or chief financial officer of any company that: (a) was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or (b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted in an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer (an "order" means: (i) a cease trade order; (ii) an order similar to a cease trade order; or (iii) an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days).

To the knowledge of the Company, except for Katharine Poulter as described in the paragraph below, no director or executive officer of the Company, or shareholder holding a sufficient number of securities of the Company to affect material control of the Company: (a) is, as at the date of this Annual Information Form, or has been within the ten years prior to the date of this Annual Information Form, a director or executive officer of any company that while that person acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (b) has, within the ten years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Katharine Poulter, an executive officer of the Company, was appointed Chief Operating Officer of Laura Ashley Limited in January 2020 to conduct a strategic review of the business. Ms. Poulter was then appointed Chief Executive Officer of Laura Ashley Limited and Laura Ashley Holdings plc in February 2020. In March 2020, Laura Ashley Holdings plc filed for administration (similar to bankruptcy) in the UK. PricewaterhouseCoopers (PwC) were appointed as Administrator in March 2020. In April 2020, Gordon Brothers (a global advisory, restructuring and investment firm), completed a deal to acquire Laura Ashley out of administration, including its global brand, archives and related intellectual property. Ms. Poulter remained as Chief Executive Officer, concluding the successful sale of the business, leaving in July 2020.

To the knowledge of the Company, no director, executive officer, or shareholder holding a sufficient number of securities of the Company to affect material control of the Company has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

AUDIT COMMITTEE

The text of the Audit Committee Charter is attached hereto in Appendix A.

COMPOSITION OF THE AUDIT COMMITTEE AND RELEVANT EDUCATION AND EXPERIENCE OF THE MEMBERS

The Audit Committee is composed of Donald Lewtas, Jonathan Deitcher and Joel Silver, all of whom are independent and financially literate within the meaning set out in National Instrument 52-110 - *Audit Committees*. The Audit Committee members each have many years of senior business experience, which has ensured that they have a strong knowledge and understanding of accounting principles as they apply to corporations. Collectively, the Audit Committee members represent an appropriate balance of business and financial experience, together with solid understanding of internal controls and procedures for financial reporting.

Mr. Lewtas was appointed to the Company's Board, as well as the Chair of the Audit Committee, on June 16, 2023. He is a FCA and FCPA with the current status of retired. He has held numerous financial management roles, including Chief Financial Officer of Onex Corporation from 2008 to 2015. Mr. Lewtas holds a Bachelor of Commerce degree from McGill University.

Mr. Deitcher was appointed to the Audit Committee in 2019. He holds the position of Investment Advisor with RBC DS where he has been employed since 1974. Mr. Deitcher was a Vice President at RBC DS from August 2004 to September 2021. He has been a member of the Board since 2001 and possesses extensive knowledge of the business. With over 40 years of experience analyzing and reviewing financials statements as an investment advisor, Mr. Deitcher shares his financial skills and knowledge as a member of the Audit Committee.

Mr. Silver was appointed to the Company's Board, as well as a member of the Audit Committee, on June 16, 2023. Mr. Silver's extensive business experience, as well as his knowledge of Indigo's business (being a former Director and former President of the Company) are assets he is able to utilize and share as a member of the Audit Committee. Mr. Silver holds an Honours Bachelor of Business Administration degree from Wilfrid Laurier University and a Master in Business Administration degree from Harvard University Graduate School of Business Administration.

MATERIAL TRANSACTIONS WITH DIRECTORS OR OFFICERS

During fiscal 2023, the Company purchased goods and services from companies in which Mr. Gerald Schwartz, who is the controlling shareholder of Indigo, holds a controlling or significant interest. In fiscal 2023, the Company paid $0.3 million for these transactions (2022 - $0.4 million, 2021 - $0.3 million). As at April 1, 2023, Indigo had a nominal amount payable to these companies under standard payment terms (April 2, 2022 and April 3, 2021 - nominal amounts payable). All transactions were measured at fair market value and were in the normal course of business, under normal commercial terms, for both Indigo and the related companies.

During the first quarter of fiscal 2023, the Company entered into a secured revolving credit facility of $25.0 million with a company controlled by Mr. Schwartz. During the second quarter of fiscal 2023, $20.0 million was drawn from the facility. An incremental amount of $5.0 million was drawn in the third quarter of fiscal 2023, with the outstanding balance of $25.0 million being repaid in the same quarter. The non-interest bearing facility matured on February 1, 2023.

EXPERTS

The Company's consolidated financial statements for the year ending April 1, 2023 were audited by Ernst & Young LLP. Ernst & Young LLP has advised that it is independent with respect to the Company in accordance with the CPA Code of Professional Conduct of the Chartered Professional Accountants of Ontario.

PRE-APPROVAL POLICIES AND PROCEDURES

All decisions regarding the engagement of the Company's auditor for the provision of non-audit services are approved by the Audit Committee of the Board of Directors.

EXTERNAL AUDITOR SERVICE FEES

The following table summarizes the audit, tax, and other fees (excluding expenses and taxes) of the Company's auditor, Ernst & Young LLP, relating to the two most recently completed fiscal years.

Type of Fee	2023	2022
Audit Fees[(1)]	$528,200	$526,490
Tax Fees	$53,050	$58,700
All Other Fees	$74,000	$63,250
Total	$655,250	$648,440

(1) Audit Fees in 2023 include $54,000 of out-of-scope billings related to incremental procedures, however the amount is not yet finalized. In 2022, out-of-scope billings totaled $80,140.

Audit fees were incurred for the audit of the financial statements, as well as translation services and discussion of quarterly information. Tax fees incurred were related to tax compliance and consulting services, while all other fees related to advisory services.

TRANSFER AGENT AND REGISTRAR

The Company's transfer agent and registrar is TSX Trust Company and Indigo's common share register is located at their offices at 100 Adelaide Street West, Suite 301, Toronto, ON M5H 4H1.

ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, and options to purchase securities is contained in Indigo's 2023 Management Information Circular as filed with Canadian securities regulatory authorities on SEDAR. Further information can also be found on SEDAR at *sedar.com*. Additional financial information is provided in the Company's comparative financial statements and MD&A for the fiscal year ended April 1, 2023, which are included on pages 6 through 74 of Indigo's 2023 Annual Report.

Copies of the following documents may be obtained, upon request, from the Company's Corporate Secretary at 620 King Street, Suite 400, Toronto, Ontario, M5V 1M6:

a) one copy of this Annual Information Form, together with one copy of any document, or the pertinent pages of any document, incorporated by reference in this Annual Information Form;

b) one copy of the Company's consolidated financial statements for its most recently completed financial year together with the accompanying report of the auditor and one copy of any of the Company's interim financial statements subsequent to the financial statements for its most recently completed financial year; and

c) one copy of the Company's most recent Management Information Circular as filed with Canadian securities regulatory authorities on SEDAR.

APPENDIX A – AUDIT COMMITTEE CHARTER

INDIGO BOOKS & MUSIC INC.
(the "Corporation")

AUDIT COMMITTEE CHARTER

1. PURPOSE

The primary function of the Audit Committee (the "Committee") is to assist the Board of Directors (the "Board") of the Corporation in fulfilling its oversight responsibilities for: (i) the integrity of the Corporation's financial statements; (ii) the Corporation's compliance with legal and regulatory requirements as they relate to the Corporation's financial statements; (iii) internal controls over financial reporting and disclosure controls and procedures; (iv) enterprise risk management; (v) the qualifications, independence and performance of the external auditor; and (vi) the performance of the Corporation's internal audit function. This also includes the audit and financial reporting process for the Corporation's subsidiaries.

The Committee will, at all times, be given full access to the Corporation's management and records and to the external auditors as necessary to carry out these responsibilities.

2. COMPOSITION

The Committee shall be comprised of a minimum of three directors, each of whom will be independent, as contemplated by *Multilateral Instrument 52-110 - Audit Committees*. Members of the Committee, as well as its Chair, shall be recommended by the Human Resources, Compensation and Governance Committee and appointed by the Board annually. In any year that the Board does not make an appointment of the Chair, the incumbent Chair shall continue in office until his/her successor has been appointed.

3. MEMBER QUALIFICATIONS

All members of the Committee shall be financially literate and thus be able to read and understand fundamental financial statements including a balance sheet, an income statement and a cash flow statement that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by Indigo's financial statements.

4. MEETINGS

The Committee will meet at least four times a year, or more frequently as circumstances dictate. The timing of the meetings shall be determined by the Committee.

A quorum for the transaction of business at any Committee meeting shall be a majority of Committee members.

In the absence of the Committee Chair, the Committee members shall appoint an Acting Chair.

5. RELATIONSHIP WITH EXTERNAL AUDITORS

The external auditor shall report directly to the Committee. The Committee is authorized to recommend the replacement of the external auditor, where appropriate.

6. RESPONSIBILITIES AND DUTIES

To fulfill its responsibilities and duties, the Committee shall:

I. Financial Reporting and Disclosure

a. review the accounting principles, policies and practices followed by the Corporation and its subsidiaries in accounting for and reporting its financial results of operations, satisfying itself that such policies and practices are prudent and appropriate;
b. review and discuss with management and external auditors as required, the Corporation's audited annual consolidated financial statements, unaudited quarterly financial statements, and management's discussion and analysis prior to Board approval and disclosure to the public, satisfying itself that the financial statements are accurate, complete and present fairly, in all material respects in accordance with International Financial Reporting Standards ("IFRS"), the financial condition and performance of the Corporation, and together with management's discussion and analysis, the annual information form and associated officer certifications constitute a fair presentation of the Corporation's financial condition; discussions with management and external auditors should include significant issues regarding accounting principles, practices and significant management estimates and judgments;
c. review and recommend the Corporation's annual information form, management information circular and other regulatory filings to the Board for approval;
d. review certifications of the Chief Executive Officer and Chief Financial Officer on the integrity of the quarterly and annual consolidated financial statements;
e. review and recommend to the Board for approval the annual and interim earnings press releases and all other material financial press releases prior to public disclosure;
f. review and, if appropriate, recommend to the Board for approval, prospectuses, take-over bids circulars, issuer bid circulars and directors' circulars; and
g. satisfy itself that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements and periodically assess the adequacy of those procedures.

II. External Auditors

a. recommend to the Board the selection of the external auditors;
b. recommend to the Board the compensation of the external auditors;
c. oversee the work of the external auditors engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditors regarding financial reporting;
d. review and determine the independence of the external auditor, including obtaining, on an annual basis, a formal written statement from the external auditors delineating the relationship between the audit firm and the Corporation, and reviewing and discussing with the external auditors such relationship to determine their "independence";
e. review any management letter prepared by the external auditors concerning the Corporation's internal financial controls, record keeping and other matters and management's response thereto;
f. discuss with the external auditors their views about the quality of the implementation of IFRS, with a particular focus on the accounting estimates and judgments made by management and management's selection of accounting principles. Meet in private with appropriate members of management and separately with the external auditors on a regular basis to share perceptions on these matters, discuss any potential concerns and agree upon appropriate action plans.

Review with the external auditors their views on the adequacy of the Corporation's financial personnel;

g. approve the scope of the annual audit, the audit plan, the access granted to the Corporation's records and the co-operation of management in any audit and review function;
h. receive from the external auditors reports on their review of the annual and quarterly financial statements;
i. receive from management a copy of the management representation letter provided to the external auditors and any additional representations required by the Committee;
j. review the effectiveness of the external auditor, including the annual audit and any quarterly reviews, and assess the effectiveness of the working relationship of the external auditors with management including receipt from management and the external auditors, on at least an annual basis, an audit quality scorecard to facilitate such assessment;
k. evaluate the lead audit partner and discuss the timing and process of the rotation of the lead audit partner and other audit engagement team partners;
l. review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Corporation;
m. receive from the external auditors, on at least an annual basis, an overview of Public Company Accounting Oversight Board (PCAOB) and Canadian Public Accountability Board (CPAB) audit quality inspections reports to educate the Committee and identify relevant lessons learned or issues for discussion; and
n. determine the nature of non-audit services the external auditors are prohibited from providing to the Corporation and pre-approve all non-audit services provided by the external auditors to the Corporation.

III. <u>Enterprise Risk Management</u>

a. oversee the Corporation's enterprise risk management framework to monitor, mitigate and manage key risks;
b. monitor cyber risk, fraud risk, information technology risk and other risks as delegated to the Committee as part of the Corporation's enterprise risk management program and monitor the effectiveness of the Corporation's policies, plans and processes to mitigate and manage such risks; and
c. review the use of derivative financial instruments by the Corporation.

IV. <u>Internal Auditors</u>

a. review the annual plan of the internal auditor, including the audit scope and overall risk assessment methodology, ensuring such are appropriate for the Corporation;
b. review the organizational structure of internal audit to ensure independence from management and an appropriate segregation of duties;
c. review the effectiveness of the internal auditor;
d. review the quarterly reports of the internal auditor on internal audit activities, including audit findings, recommendations and progress in meeting the annual audit plan; and
e. meet regularly with the internal auditor, with or without management present, to discuss the effectiveness of the Corporation's internal control procedures, risk management and governance processes.

V. <u>Complaints/Concerns</u>

a. establish procedures for: (i) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and (ii) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

VI. Internal Controls/Compliance

a. monitor the Corporation's system of internal financial controls and the Corporation's control environment to satisfy itself that such controls are effective and efficient through review of reports received from internal audit, finance and the external auditors;
b. satisfy itself that management has developed and implemented a process to ensure compliance with continuous disclosure obligations;
c. review reports from management and internal/external auditors with respect to the Corporation's compliance with laws and regulations having a material impact on the financial statements;
d. review reports from management or others regarding the Corporation's compliance with applicable governing legislation and whether the Corporation's policies and procedures are operating effectively in this regard;
e. review applicable internal policies (eg. Fraud Policy, Disclosure Policy, Insider Trading Policy, Whistleblower Policy) on a regular basis;
f. review reports on material litigation matters, as applicable; and
g. oversee matters relating to security of and risks related to information technology systems and procedures, including assessment of the adequacy and effectiveness of the internal controls regarding information security.

VII. Related Party Transactions

a. review all material proposed related party transactions that are not dealt with by a "special committee" of "independent directors" pursuant to securities legislation.

VIII. Environmental, Social and Governance ("ESG") Matters

a. oversee the Corporation's process for determining the effectiveness and integrity of ESG disclosures; and
b. review the adequacy and effectiveness of applicable controls related to the Corporation's disclosures relating to ESG matters.

IX. Other

a. review in advance the appointment of the Chief Financial Officer;
b. review annually this Committee Charter for adequacy and recommend any changes to the Board;
c. meet in-camera with (i) external auditors; (ii) internal auditors, and (iii) management at each meeting of the Committee, as required;
d. report to the Board on the major items covered at each Committee meeting and make recommendations to the Board and management concerning these matters at the next scheduled Board meeting;
e. report to the Board on the effectiveness of the Committee annually; and
f. perform any other activities consistent with this Charter, the Corporation's By-laws and governing law as the Committee or the Board deems necessary or appropriate.

7. AUTHORITY

The Committee has the authority:

a. to engage independent counsel and other advisors as it determines necessary to carry out its duties;
b. to set and pay the compensation for any advisors employed by the Committee;
c. to conduct or authorize investigations into matters within its scope of responsibility; and
d. to communicate directly with the internal and external auditors.