

**INDIGO BOOKS & MUSIC INC.**  
(the “Corporation”)

**MANDATE OF THE BOARD OF DIRECTORS**

**1. PURPOSE**

The role of the Board of Directors (the “Board”) is to provide governance and stewardship to the Corporation, including the supervision of the management of the business and affairs of the Corporation.

**2. COMMITTEES OF THE BOARD**

To assist in discharging its duties, the Board has established the following committees of the Board: the Audit Committee, and the Human Resources, Compensation and Governance Committee (the “HRCG Committee”). The Board may also appoint other committees from time to time.

**3. BOARD ORGANIZATION**

**(a) Qualifications**

In conjunction with the HRCG Committee, the Board will determine Board member qualifications, including the range of competencies and skills the Board as a whole is required to possess. The Board’s responsibility to ensure that all Board members receive appropriate orientation and continuing education is delegated to the HRCG Committee.

**(b) Composition**

The Board will consist of directors who represent diverse personal experiences and backgrounds, particularly among its independent directors. At a minimum, each director shall have demonstrated the highest personal and professional integrity; significant achievement in his or her field; experience and expertise relevant to the Corporation’s business; a reputation for sound and mature business judgment; the commitment to devote the necessary time and effort in order to conduct his or her duties effectively; and, where required, financial literacy.

**(c) Size**

The Corporation’s incorporating documents permit a maximum of 20 directors. To facilitate effective decision-making, the Board believes that the appropriate size of the Board is in the range of 8 to 12 directors.

**(d) Independent Directors**

The Board shall be composed of a majority of independent directors, who meet the criteria for independence set out in applicable laws and regulations.

**(e) Quorum**

A majority of directors shall constitute a quorum.

**(f) Nomination of Directors**

Potential directors will be selected and recommended by the HRCG Committee based on the candidate's availability, expertise, experience, competencies and skills as required by the Board.

**4. PRINCIPAL DUTIES OF THE BOARD**

**(a) General**

The Board must be fully informed of the Corporation's affairs, be actively engaged in the development of the Corporation's strategic direction and must supervise how such direction is implemented by management. In doing so, the Board is responsible to appoint a competent executive management team. The Board will oversee and monitor the management of the business of the Corporation by the appointed executive team.

The Corporation will maximize its wealth and well-being through thoughtful, independent business decisions. Through an appropriate system of corporate governance and financial controls, the Board will ensure accurate and timely financial reporting to the public, as well as ethical and legal corporate conduct.

**(b) Integrity, Ethics and Social Responsibility**

The Board will satisfy itself as to the integrity of the chief executive officer ("CEO") and senior management of the Corporation through approval of, and monitoring compliance with, the Corporation's Code of Conduct (the "Code") and its Whistleblower Policy. The Board will satisfy itself that the CEO and senior management create a culture of integrity throughout the organization by overseeing and monitoring compliance with the Code to ensure a culture of integrity is maintained. The Board is also responsible for approving other policies and practices for dealing with matters related to integrity, ethics and social responsibility, as applicable.

**(c) Strategic Planning Process**

- The Board will adopt a strategic planning process and review and approve annually a corporate strategic plan for the Corporation and its operating subsidiaries, which takes into account, among other things, industry and other trends, product strategies, new product developments, major new business, capital expenditures, specific problem areas, action plans, and the opportunities and risks of the business. This includes approval of long-term strategic plans, operating plans, financial objectives, significant acquisitions, sales of assets and material financing arrangements.
- The Board will approve strategic and operational policies within which management will operate.
- The Board will review operating and financial performance results relative to established strategy, budgets and objectives.
- The Board will monitor the progress of the Corporation against the goals addressed in the strategic plan.
- The Board will approve major business decisions not specifically delegated to management.
- The Board will approve the payment of dividends.

**(d) Financial Reporting**

- With the assistance of the Audit Committee, the Board will oversee the Corporation's financial reporting and disclosure obligations in accordance with applicable governing legislation.
- Upon recommendation of the Audit Committee, the Board will approve the Corporation's financial statements, management's discussion and analysis and related releases and oversee the Corporation's compliance with applicable audit, accounting and reporting requirements.

**(e) Identification of Principal Risks and Implementing Managing Systems**

- The Board will identify and review with management the principal business risks to the Corporation. The Board will ensure that appropriate procedures are implemented to monitor and mitigate those risks. The Board delegates the responsibility of identifying, reviewing and monitoring enterprise risks of the Corporation to the Audit Committee.
- The Board will ensure that effective systems are in place to monitor the integrity of the Corporation's internal controls and management information systems.
- The Board will confirm that management processes are in place to address and comply with applicable corporate, securities and other compliance matters, as well as with applicable laws and regulations.
- The Board will confirm and monitor that processes are in place to comply with the Corporation's Code of Conduct and Whistleblower Policy.
- The Board will ensure that a Crisis Management/Business Continuity Plan for the Corporation is developed in the event of a crisis situation.

**(f) Delegation of Management Authority, Executive Compensation and Succession Planning**

The Board delegates authority to the CEO for the overall management of the Corporation. This includes strategy and operations to ensure the Corporation's long-term success. To discharge its duty of oversight of the CEO, the Board will:

- approve the HRCG Committee's position description for the CEO, which will delineate management's responsibilities for corporate goals and objectives that the CEO is responsible for meeting;
- assess the performance of the CEO through a process led by the HRCG Committee that compares the CEO's annual performance against a set of mutually agreed annual objectives, and relative to the duties outlined in the CEO position description; and
- approve CEO compensation as recommended by the HRCG Committee.

In meeting its responsibility for ensuring succession planning, the Board will satisfy itself that management possesses the necessary level of skill and experience and operates in a manner that is consistent with the Corporation's stated beliefs. In doing so, the Board will:

- establish boundaries between Board and management responsibilities and establish limits of authority delegated to management (eg, approval of annual strategic plan and budget). In doing so, the Board will decide how engaged it wants to be in influencing management's decisions and the Corporation's direction. The CEO and the directors will agree amongst themselves which level of Board engagement best fits the Corporation;

- appoint Officers of the Corporation and oversee the executive compensation programs;
- approve the design of the Corporation’s bonus incentive plans and equity-based compensation plans and any amendments thereto;
- monitor the performance of executive management (officer level positions) against corporate objectives directed at maximizing the financial value of the Corporation;
- ensure that there are policies and practices in place to enable the Corporation to attract, develop and retain the human resources required to meet its business objectives; and
- ensure a process to adequately provide for CEO succession is in place.

The Board delegates to the HRCG Committee, oversight of executive talent succession and approval of executive compensation as outlined in the Committee’s charter, taking into consideration the level of responsibility and contribution. The approval of all payouts under bonus incentive plans and all stock option grants is also delegated to the HRCG Committee.

**(g) Communications Policy**

The Board will confirm that management has established a system for corporate communications to shareholders and the public, including processes for consistent, transparent and timely public disclosure. In doing so, the Board will:

- adopt a communications and disclosure policy and additional policies, as required, relating to, among other matters, the confidentiality of the Corporation’s business information and conflicts of interest;
- ensure the Corporation maintains the communications systems to effectively communicate with its stakeholders. This process includes ensuring compliance with the Disclosure Policy, Insider Trading Policy and the Whistleblower Policy;
- satisfy itself that information and reporting systems exist in the Corporation that are reasonably designed to provide timely accurate information sufficient to allow the Board and management to reach informed decisions; and
- establish procedures to ensure disclosure of contact information to facilitate feedback from shareholders.

**(h) Approach to Corporate Governance and Governance Guidelines**

Transparency, accountability and integrity are not only key elements of good governance, but are fundamental values to the Corporation. To ensure that the Corporation continues to uphold a high standard in governance practices, the Board will:

- appoint a HRCG Committee composed of independent directors, which, among other responsibilities will:
  - develop, approve and monitor the Corporation’s approach to corporate governance;
  - establish processes for the regular evaluation of the effectiveness and performance of the Board, its committees and individual directors, including the annual review and approval of the Board’s mandate, charters of the Board committees and the position descriptions applicable to individual directors.

- clearly articulate what is expected from a director by developing a position description for directors, the Chair, the CEO and the chair of each Board committee; and
- review and assess the adequacy of the committee charters and position descriptions on an annual basis.

## **5. BOARD INDEPENDENCE**

To promote the effective functioning of the Board and its committees, the Board will:

- appoint a lead director who is an independent director to provide leadership to the Board and the independent directors, including presiding over any sessions/meetings of independent directors;
- establish committees composed of independent directors and approve their respective charters and the limits of authority delegated to each committee; and
- ensure that, at the Corporation's expense, the Board and its committees may retain outside legal and other experts where reasonably required to assist and advise the Board and its committees in carrying out their duties and responsibilities.

## **6. BOARD COMPENSATION**

The Board will review the adequacy and form of directors' compensation to ensure it appropriately reflects the responsibilities and risks involved in being a director. Therefore, the Board will:

- appoint a HRCG Committee composed entirely of independent directors; and
- approve the HRCG Committee's process and determination of directors' compensation, as outlined in the HRCG Committee charter.