Indigo Books & Music Inc.
Notice of Annual Meeting
of Shareholders

NOTICE IS HEREBY GIVEN that the annual meeting of the shareholders of Indigo Books & Music Inc. (the "Corporation") will be held at Torys LLP, 79 Wellington Street West, 33rd floor, Toronto, Ontario on the 29th of June, 2015, commencing at 10:00 a.m. (Toronto time), for the following purposes:

1. to receive the financial statements of the Corporation for the fiscal year ended March 28, 2015, together with the report of the auditor on the financial statements;

2. to elect directors for the ensuing year;

3. to appoint an auditor for the ensuing year and to authorize the directors to fix the remuneration to be paid to the auditor; and

4. to transact such other business as may properly come before the meeting or any adjournment of the meeting.

DATED at Toronto this 26th day of May, 2015.

By Order of the Board of Directors

Laura Carr,
Executive Vice President and
Chief Financial Officer

If you are not able to be present at the meeting, please exercise your right to vote either by (a) signing and returning the form of proxy to Indigo Books & Music Inc., c/o CST Trust Company, P.O. Box 721, Agincourt, Ontario, M1S 0A1, or by facsimile: (416) 368-2502 or by toll free facsimile: 1 (866) 781-3111 or by email to proxy@canstockta.com, so as to arrive not later than 5:00 pm (Toronto time) on June 25, 2015 or, if the meeting is adjourned, 48 hours (excluding Saturdays and holidays) before any adjourned meeting, or (b) by completing the request for voting instructions in accordance with the directions provided.

Indigo Books & Music Inc.
Management Information Circular

Dated May 26, 2015

SOLICITATION OF PROXIES AND VOTING INSTRUCTIONS

The information contained in this management information circular is furnished in connection with the solicitation of proxies from registered owners of common shares of Indigo Books & Music Inc. (the "Company", "Corporation", or "Indigo," as the context requires) (the "Shares") (and of voting instructions in the case of non-registered owners of Shares) to be used at the annual meeting of shareholders of the Corporation to be held on the 29th day of June, 2015, at 10:00 a.m. (Toronto time) at Torys LLP, 79 Wellington Street West, 33rd floor, Toronto, Ontario, Canada and at all adjournments of the meeting, for the purposes set forth in the accompanying notice of meeting. It is expected that the solicitation will be made primarily by mail, but proxies and voting instructions may also be solicited personally by Indigo employees. **The solicitation of proxies and voting instructions by this circular is being made by or on behalf of the management of the Corporation**. The total cost of the solicitation of proxies and voting instructions will be borne by the Corporation. The information contained in this circular is given as at May 26, 2015, except where otherwise noted.

REGISTERED OWNERS

If you are a registered owner of Shares, you may vote in person at the meeting or appoint another person to represent you as proxyholder and vote your Shares at the meeting. If you wish to attend the meeting, do not complete or return the enclosed form of proxy as you will vote in person at the meeting. Please register with the transfer agent, CST Trust Company, upon arrival at the meeting.

Appointment of Proxies

If you do not wish to attend the meeting, please complete and return the enclosed form of proxy. The individuals named in the form of proxy are Heather Reisman, Chair and Chief Executive Officer of the Corporation, and Laura Carr, Executive Vice President and Chief Financial Officer of the Corporation. You may authorize the management representatives named in the form of proxy to vote your Shares. **You also have the right to appoint another person (who need not be a shareholder of the Corporation) to represent you at the meeting**. If you wish to appoint someone else to represent you at the meeting, you must insert the other person's name in the blank space provided on the form of proxy. That person must be present at the meeting to vote your Shares. If you do not insert a name in the space provided, the management representatives named above are appointed to act as your proxyholder.

To be valid, proxies must be deposited with Indigo by:

(1) return envelope provided; or

(2) mail to Indigo Books & Music Inc., c/o CST Trust Company, P.O. Box 721, Agincourt, Ontario, M1S 0A1; or

(3) facsimile: (416) 368-2502 or toll free facsimile: 1 (866) 781-3111; or

(4) email to proxy@canstockta.com,

not later than 5:00 pm (Toronto Time) on June 25, 2015, or, if the meeting is adjourned, 48 hours, (excluding Saturdays and holidays) before any adjourned meeting.

Revocation

If you have submitted a proxy and wish to revoke it you may do so by:

(a) completing and signing a form of proxy bearing a later date and depositing it with Indigo Books & Music Inc., c/o CST Trust Company as described above;

(b) depositing a document that is signed by you (or by someone you have properly authorized to act on your behalf): (i) at Indigo's registered office, 468 King Street West, Suite 500, Toronto, Ontario, Canada, M5V 1L8 at any time up to the last business day preceding the day of the meeting, or any adjournment of the meeting, at which the proxy is to be used; or (ii) with the chair of the meeting before the meeting starts on the day of the meeting or any adjournment of the meeting;

(c) electronically transmitting your revocation in a manner permitted by law, provided that the revocation is received: (i) at Indigo's registered office, 468 King Street West, Suite 500, Toronto, Ontario, Canada, M5V 1L8 at any time up to and including the last business day preceding the day of the meeting, or any adjournment of the meeting, at which the proxy is to be used; or (ii) by the chair of the meeting before the meeting starts on the day of the meeting or any adjournment of the meeting; or

(d) following any other procedure that is permitted by law.

Voting of Proxies

In connection with any ballot that may be called for, the management representatives designated in the enclosed form of proxy will vote or withhold from voting your Shares in accordance with the instructions you have indicated on the proxy and, if you specify a choice with respect to any matter to be acted upon, the Shares will be voted accordingly. **In the absence of any direction, your Shares will be voted by the management representatives (i) FOR the election of each director, and (ii) FOR the appointment of the auditor.**

The management representatives designated in the enclosed form of proxy have discretionary authority with respect to amendments to or variations of matters identified in the notice of meeting and with respect to other matters that may properly come before the meeting. At the date of this circular, Indigo's management knows of no such amendments, variations or other matters.

NON-REGISTERED OWNERS

You are a non-registered owner if your Shares are registered in the name of a depository (such as CDS Clearing and Depository Services Inc. or "CDS") or an intermediary (such as a bank, trust company, securities dealer or broker, or trustee or administrator of a self-administered RRSP, RRIF, RESP or similar plan).

Only registered owners of Shares, or the persons they appoint as their proxies, are permitted to attend and vote at the meeting. If you are a non-registered owner, you are entitled to direct how the Shares beneficially owned by you are to be voted or you may appoint yourself as proxyholder for the Shares you beneficially own, which will entitle you to attend and vote at the meeting.

In accordance with Canadian securities law, Indigo has distributed copies of the notice of meeting, this management information circular and the 2015 annual report (collectively, the "meeting materials") to the intermediaries for onward distribution to non-registered owners who have not waived their right to receive them. Typically, intermediaries will use a service company (such as Broadridge Investor Communications Solutions) to forward the meeting materials to non-registered owners.

The Corporation does not intend to pay for intermediaries to forward the meeting materials to objecting beneficial owners under National Instrument 54-101 — *Communication with Beneficial Owners of Securities of a Reporting Issuer*. The objecting beneficial owner will not receive the meeting materials unless the objecting beneficial owner's intermediary assumes the cost of delivery.

If you are a non-registered owner and have not waived your right to receive meeting materials, you will receive a voting instruction form with your meeting materials. The purpose of the voting instruction form is to permit you to direct the voting of the Shares you beneficially own. You should follow the procedures set out on the form and contact your intermediary promptly if you need assistance. If you do not wish to attend the meeting (or have another person attend and vote on your behalf), please complete, sign and return the enclosed voting instruction form in accordance with the directions provided. If you wish to change or revoke your voting instructions, please contact your intermediary.

If you wish to attend the meeting and vote in person (or have another person attend and vote on your behalf), you must insert your name or the name of the individual whom you wish to attend in your stead in the space provided on the enclosed voting instruction form, sign and return the voting instruction form in accordance with the directions provided on the form. Do not otherwise complete the form as your vote will be taken at the meeting. You (or your representative) must register with the transfer agent, CST Trust Company, upon arrival at the meeting.

Please follow the instructions on the document that you have received and contact your intermediary promptly if you need assistance.

VOTING SHARES

On May 26, 2015, there were 25,495,289 Shares issued and outstanding. The record date established for notice of the meeting is May 26, 2015. Each holder of Shares of record at the close of business on May 26, 2015 will be entitled to vote on all matters proposed to come before the meeting on the basis of one vote for each Share held.

PRINCIPAL HOLDERS OF VOTING SECURITIES

To the knowledge of Indigo’s directors and officers, the only persons or companies who beneficially own or control or direct, directly or indirectly, securities of the Corporation carrying more than 10% of the voting rights attached to any class of outstanding voting securities are indicated below:

Name	Number and Class of Securities	Percentage of Class
Trilogy Retail Enterprises L.P.(1)	5,287,932 common shares	20.74%
Trilogy Investments L.P.(1)	7,740,235 common shares	30.36%
Franklin Resources, Inc.(2)	3,355,129 common shares	13.16%

(1) Trilogy Retail Enterprises L.P. and Trilogy Investments L.P. are controlled by Mr. Gerald Schwartz. Mr. Schwartz and Ms. Heather Reisman, assuming the exercise of all options owned or controlled by them, own or control 15,316,865 Shares or 60.08% of the class, on a fully diluted basis.

(2) Franklin Resources, Inc. is a global investment management organization operating as Franklin Templeton Investments. As at May 1, 2015, Franklin Resources, Inc. holds a total of 3,355,129 Shares.

ELECTION OF DIRECTORS

The number of directors to be elected to the Board of Directors (the “Board”) at the meeting is nine. The management representatives designated in the enclosed form of proxy intend to vote **FOR** the election of each of the proposed nominees whose names are set out below. Eight of the nine nominees are currently directors and have been directors since the dates indicated below. One current director, Mr. James Hall, is not seeking re-election. The Board’s Corporate Governance Committee has reviewed the skills, qualifications and experience of Mr. Howard Grosfield and has formally recommended that his name be put forward by the Board for election by the shareholders. Management does not contemplate that any of the proposed nominees will be unable to serve as a director but, if that should occur for any reason before the meeting, the management representatives designated in the enclosed form of proxy reserve the right to vote for another nominee at their discretion. Each director elected will hold office until the next annual meeting or until his or her successor is elected or appointed.

The Corporation has not adopted a majority voting policy with respect to uncontested elections of directors. A majority voting policy generally requires a director who receives more votes “withheld” than votes “for” to tender his or her resignation. As the Corporation has a controlling shareholder, a majority voting policy would not have a meaningful effect on an election of its directors since the controlling shareholder has the ability to control the outcome of the election of directors with its votes alone. The current process for electing directors complies with corporate and securities laws and stock exchange rules, however, as part of its ongoing commitment to corporate governance, the Board will continue to consider whether to adopt a majority voting policy in the future.

The following charts provide information about the director nominees, including place of residence, principal occupation, year elected or appointed as a director, equity ownership of Indigo (including common shares and deferred share units (“DSUs”)), public board memberships, current Committee memberships and meeting attendance:

<table>
<tr><td rowspan="5">HEATHER REISMAN, Chair and Chief Executive Officer
Ontario, Canada
Director Since: 2001
Non-Independent
98,391 Common Shares</td><td colspan="2">Heather Reisman has been Chief Executive Officer of Indigo since February 4, 2001. She has also been Chair, Director and Chief Executive Officer of Indigo and its predecessors. Ms. Reisman was inducted into the Canadian Business Hall of Fame in 2015.</td></tr>
<tr><td>Board Meetings Attended</td><td>Committee Membership and Meetings Attended</td></tr>
<tr><td>6 of 6 (100%)</td><td>N/A</td></tr>
<tr><td colspan="2">Public Board Memberships
Onex Corporation (since 2003)</td></tr>
<tr></tr>
<tr><td rowspan="4">FRANK CLEGG, Director
Ontario, Canada
Director Since: 2005
Independent
51,326 DSUs
Technology Advisor</td><td colspan="2">Frank Clegg is the Volunteer Chairman and Chief Executive Officer of C4ST (mission to raise awareness of harmful effects from unsafe use of wireless technology). As Technology Advisor to Indigo, Mr. Clegg brings an extensive information technology background to the Board at a point when the oversight of IT governance has become an important responsibility for boards and audit committees. Mr. Clegg was Chairman of Navantis from January 2006 to December 2012. He held the position of President of Microsoft Canada Co. from September 2000 to January 2005. Prior to that Mr. Clegg was Vice President, Central Region of Microsoft Corporation.</td></tr>
<tr><td>Board Meetings Attended</td><td>Committee Membership and Meetings Attended</td></tr>
<tr><td>4 of 6 (67%)</td><td>Audit: 4 of 5 (80%)
HR and Compensation: 3 of 4 (75%)</td></tr>
<tr><td colspan="2">Public Board Memberships
N/A</td></tr>
<tr><td rowspan="4">JONATHAN DEITCHER, Director
Quebec, Canada
Director Since: 2001
Independent
53,334 DSUs
60,000 Common Shares</td><td colspan="2">Jonathan Deitcher is an Investment Advisor at RBC Dominion Securities Inc. (“RBC”), where he has been employed since 1974. Mr. Deitcher served as a member of the Board of Directors of RBC from November 2000 to September 2003. He has been a Vice President at RBC since 2004.</td></tr>
<tr><td>Board Meetings Attended</td><td>Committee Membership and Meetings Attended</td></tr>
<tr><td>6 of 6 (100%)</td><td>Corporate Governance: 3 of 3 (100%)</td></tr>
<tr><td colspan="2">Public Board Memberships
N/A</td></tr>
</table>

<table>
<tr><td rowspan="4">MITCHELL GOLDHAR, Director
Ontario, Canada
Director Since: 2001
Independent
22,551 DSUs</td><td colspan="2">Mitchell Goldhar is the President and Chief Executive Officer of SmartCentres. SmartCentres has developed over 250 shopping centres across Canada in the last 21 years. Mr. Goldhar holds a BA in Political Science from York University and for 11 years has been an adjunct professor with the Joseph L. Rotman School of Management, University of Toronto.</td></tr>
<tr><td>Board Meetings Attended</td><td>Committee Membership and Meetings Attended</td></tr>
<tr><td>5 of 6 (83%)</td><td>N/A</td></tr>
<tr><td colspan="2">Public Board Memberships
Calloway Real Estate Investment Trust (since 2005)</td></tr>
<tr><td rowspan="2">HOWARD GROSFIELD, Director Nominee
Ontario, Canada
If elected, will be Independent</td><td colspan="2">Howard Grosfield is the President and Chief Executive Officer of American Express Bank of Canada and President and General Manager of American Express Canada Inc. Appointed to this position in May 2010, Mr. Grosfield heads up the Canadian Executive Team and serves as a member of the Board of Directors of American Express Bank of Canada. Prior to this role, Mr. Grosfield served as Vice President and General Manager, International Business Services. Before joining American Express in 2004, Mr. Grosfield spent several years as a Principal with The Boston Consulting Group and was also a lawyer with Osler, Hoskin & Harcourt LLP in Toronto.</td></tr>
<tr><td colspan="2">Public Board Memberships
N/A</td></tr>
<tr><td rowspan="4">MICHAEL KIRBY, Director
Ontario, Canada
Director Since: 2001
Independent
114,056 DSUs

Lead Director
Chair of Audit Committee
Chair of Corporate Governance Committee</td><td colspan="2">Michael Kirby is a Corporate Director and Chair of Partners for Mental Health (non-profit organization created to focus national attention on mental health issues). From 1984 to 2006, Mr. Kirby was a member of the Senate of Canada. From 1994 to 1999, he was the Chairman of the Standing Senate Committee on Banking, Trade and Commerce. From 1999 to 2006, Mr. Kirby was Chairman of the Standing Senate Committee on Social Affairs, Science and Technology. Mr. Kirby is Chair of the Audit Committee of Just Energy Group Inc. and the Audit Committee of MDC Partners Inc.</td></tr>
<tr><td>Board Meetings Attended</td><td>Committee Membership and Meetings Attended</td></tr>
<tr><td>6 of 6 (100%)</td><td>Audit: 5 of 5 (100%)
HR and Compensation: 4 of 4 (100%)
Corporate Governance: 3 of 3 (100%)</td></tr>
<tr><td colspan="2">Public Board Memberships
Just Energy Group Inc. (since 2001)
MDC Partners Inc. (since 2004)</td></tr>
</table>

<table>
<tr><td rowspan="4">ANNE MARIE O’DONOVAN, Director
Ontario, Canada
Director Since: 2009
Independent
23,891 DSUs</td><td colspan="2">Anne Marie O’Donovan is a Corporate Director and President of O’Donovan Advisory Services Ltd. (advisory and consulting services company). Ms. O’Donovan held the position of Executive Vice President and Chief Administration Officer, Global Banking and Markets of Scotiabank until December 2014. Prior to joining Scotiabank in 2004, Ms. O’Donovan was a partner with Ernst & Young LLP. She holds an HBA degree from the Richard Ivy School of Business at the University of Western Ontario and is a Fellow of the Institute of Chartered Accountants of Ontario. In addition to being a member of the Audit Committee, in November 2014, Ms. Donovan was appointed as a member of the Human Resources and Compensation Committee and the Corporate Governance Committee.</td></tr>
<tr><td>Board Meetings Attended</td><td>Committee Membership and Meetings Attended</td></tr>
<tr><td>6 of 6 (100%)</td><td>Audit: 5 of 5 (100%)
HR and Compensation: 2 of 2 (100%)
Corporate Governance: 2 of 2 (100%)</td></tr>
<tr><td colspan="2">Public Board Memberships
N/A</td></tr>
<tr><td rowspan="4">GERALD SCHWARTZ, Director
Ontario, Canada
Director Since: 2001
Non-Independent
15,218,474 Common Shares*</td><td colspan="2">Gerald Schwartz is the Chairman and Chief Executive Officer of Onex Corporation, which he founded in 1984. Mr. Schwartz was inducted into the Canadian Business Hall of Fame in 2004 and appointed an Officer of the Order of Canada in 2006.
*Mr. Schwartz is the principal of Trilogy Retail Enterprises Inc., the general partner of Trilogy Retail Enterprises L.P. (“Trilogy”). Trilogy owns directly or indirectly 13,028,167 common shares (which includes the common shares owned by Trilogy Investments L.P.), representing approximately 51.1% of the outstanding Shares. Mr. Schwartz also holds, directly or indirectly, an additional 2,190,307 common shares for a total of 15,218,474 common shares. Ms. Reisman, who owns directly or indirectly, 98,391 common shares, is Mr. Schwartz’s spouse.</td></tr>
<tr><td>Board Meetings Attended</td><td>Committee Membership and Meetings Attended</td></tr>
<tr><td>6 of 6 (100%)</td><td>N/A</td></tr>
<tr><td colspan="2">Public Board Memberships
Bank of Nova Scotia (Honorary Director) (since 2007)
Celestica Inc. (since 1998)
Onex Corporation (since 1987)</td></tr>
<tr><td rowspan="4">JOEL SILVER, Director
Ontario, Canada
Director Since: 2011
Non-Independent
3,100 Common Shares</td><td colspan="2">Joel Silver has been the Managing Partner of Trilogy Growth (an investment firm specializing in media, technology and retail opportunities) since April 2011. Prior to that, Mr. Silver held several positions at Indigo from 2005 to 2011, including President from October 2009 to April 2011. Mr. Silver holds a MBA degree from the Harvard Business School.</td></tr>
<tr><td>Board Meeting Attended</td><td>Committee Membership and Meetings Attended</td></tr>
<tr><td>6 of 6 (100%)</td><td>N/A</td></tr>
<tr><td colspan="2">Public Board Memberships
N/A</td></tr>
</table>

DIRECTOR NOT STANDING FOR ELECTION

Mr. James Hall, an independent director who has served as a director of the Corporation since August 2001, will not be standing for re-election at the meeting. Mr. Hall served as the Chair of the Human Resources and Compensation Committee since January 2005 and as a member of the Audit Committee and the Corporate Governance Committee. Mr. Hall is the Vice President of Callidus Capital Corporation (asset-based lender) and President and Chief Executive Officer of James Hall Advisers Inc. (financial advisory company). He is also a member of the Board of Directors of Atomic Energy of Canada and Immunovaccine Inc.

BOARD AND COMMITTEE MEETING ATTENDANCE IN FISCAL 2015

Director	Board	Audit Committee	Human Resources and Compensation Committee	Corporate Governance Committee	Totals
Heather Reisman	6 of 6 (100%)	n/a	n/a	n/a	6 of 6 (100%)
Frank Clegg	4 of 6 (67%)	4 of 5 (80%)	3 of 4 (75%)	n/a	11 of 15 (79%)
Jonathan Deitcher	6 of 6 (100%)	n/a	n/a	3 of 3 (100%)	9 of 9 (100%)
Mitchell Goldhar	5 of 6 (83%)	n/a	n/a	n/a	5 of 6 (83%)
James Hall	6 of 6 (100%)	5 of 5 (100%)	4 of 4 (100%)	3 of 3 (100%)	18 of 18 (100%)
Michael Kirby	6 of 6 (100%)	5 of 5 (100%)	4 of 4 (100%)	3 of 3 (100%)	18 of 18 (100%)
Anne Marie O'Donovan	6 of 6 (100%)	5 of 5 (100%)	2 of 2 (100%)*	2 of 2 (100%)*	15 of 15 (100%)
Gerald Schwartz	6 of 6 (100%)	n/a	n/a	n/a	6 of 6 (100%)
Joel Silver	6 of 6 (100%)	n/a	n/a	n/a	6 of 6 (100%)

* Appointed in November 2014.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

The Corporation purchased goods and services from companies in which Mr. Gerald W. Schwartz, the principal of the controlling shareholder of Indigo, holds a controlling or significant interest. Indigo paid $3.2 million for such goods and services in fiscal 2015 and $5.3 million in fiscal 2014. As at March 28, 2015, Indigo had $0.2 million payable to these companies under standard payment terms and $2.8 million of restricted cash pledged as collateral for letter of credit obligations issued to support the Corporation's purchases of merchandise from these companies. All transactions were in the normal course of business for both Indigo and the related companies.

APPOINTMENT OF AUDITOR

The management representatives designated in the enclosed form of proxy intend to vote **FOR** the reappointment of Ernst & Young LLP as the Corporation's auditor, to hold office until the next annual meeting of shareholders. Ernst & Young LLP has served as Indigo's auditor or its predecessors' auditor since 1994.

COMPENSATION DISCUSSION AND ANALYSIS

Indigo believes that great companies are built through the efforts of talented, committed people.

Underlying Principles of Executive Compensation

Indigo's executive compensation program is based on the philosophy that a strong leadership team, whose interests are aligned with the Company's strategic goals, will lead to the success of the Company and enhancement of shareholder value.

To build and retain a high-performing leadership team, the Company needs to be competitive; providing strong base salaries along with short-, mid-, and long-term incentives that are tied to objective performance goals. The intent is to reward Executives[1] for demonstrated leadership and the achievement of strategic goals. By having these components of compensation in place, Executives will focus on attaining corporate performance goals and continually strive to create success for the Company and value for shareholders.

Risk Management and Executive Compensation

The Human Resources and Compensation Committee works with management to plan and design an evolving executive compensation program that supports the Company's compensation philosophy while limiting the amount of corporate risk associated with the incentive aspects of executive compensation. The Human Resources and Compensation Committee annually reviews all compensation programs and practices presented by management to consider any risk implications.

The Company has a risk management system which involves management, the Board and its Committees. The Board reviews strategic targets each year as a part of the review and approval of the Company's strategic plan. The potential for excessive risk taking by Executives is considered when setting and approving strategic objectives.

The Company believes that a range of compensation elements and performance metrics are the best way to control any risk associated with compensation practices. Indigo has historically managed this risk by using a combination of short-, mid-, and long-term awards, coupled with corporate, team and individual performance measures that include both operational and financial metrics.

Performance targets are set for the Company's short-, mid-, and long-term awards based on historical performance and current fiscal year goals. Reviews of performance and outside factors affecting performance are completed quarterly and annually. Based on the outcome of these reviews, the Board uses its discretion to make any adjustments to short-term awards, considering the quality of results achieved and performance in light of all relevant factors. The Company, working together with the Human Resources and Compensation Committee, did not identify any risks arising from Indigo's compensation policies and practices that are reasonably likely to have a material adverse effect on the Company.

Named Executive Officers

The following table lists the Named Executive Officers (the "NEOs") for Indigo during the fiscal year:

NEO	Title
Heather Reisman	Chair and Chief Executive Officer
Laura Carr	Executive Vice President and Chief Financial Officer (appointed on June 25, 2015)
Kay Brekken	Chief Financial Officer (resigned on June 25, 2015)
Kirsten Chapman	Chief Marketing Officer and Executive Vice President, E-Commerce
Scott Formby	Chief Creative Officer
Tod Morehead	Executive Vice President and Group General Merchandise Manager

[1] "Executive(s)", and "Executive Management", mean, for the purposes of this compensation discussion and analysis: the Chair and Chief Executive Officer; Executive Vice President and Chief Financial Officer; Chief Marketing Officer and Executive Vice President, E-Commerce; Senior Vice President, Human Resources and Organizational Development; General Counsel and Corporate Secretary; Executive Vice President and Group Merchandise Manager; Executive Vice President, Print and Chief Strategy Officer; Chief Technology Officer and Executive Vice President, Loyalty; Executive Vice President, Supply Chain, Logistics and Global Sourcing; and Chief Creative Officer.

Components of Executive Compensation

Indigo's executive compensation philosophy is supported by the following five elements of the Company's executive compensation program:

1. Base Salary
2. Annual Bonus Incentive Program
3. Super Bonus Plan
4. Stock Option Plan
5. Perquisites and Other Benefits

Each component of the executive compensation program is defined and discussed below.

1. Base Salary

A competitive base salary serves to attract and retain strong leadership.

The base salary for Executives is determined through the evaluation of the responsibilities of the position, a review of market compensation levels for the role, the Executive's relevant experience, the Executive's past and current performance, and the Executive's contribution to overall corporate performance.

2. Annual Bonus Incentive Program

The Annual Bonus Incentive is a short-term incentive designed to tie compensation to corporate goals and individual performance within a fiscal year.

With the exception of the Chief Creative Officer, whose target bonus is 50% of base salary and whose maximum bonus is 80% of salary, Executives have a target bonus of 40% and a maximum bonus of 64% of base salary. Half of the payout is based on the achievement of corporate performance goals, and the other half is based on each Executive's individual performance. The graphic below captures the performance measures of the Annual Bonus Incentive Program for fiscal 2015.

Annual Incentive Plan Measures

i) Corporate Performance Portion of the Annual Bonus Incentive Program

For fiscal 2015, the corporate performance portion of the Annual Bonus Incentive Program was based on two equally weighted measures: (1) sales achievement; and (2) EBITDA. The Board determined that these two measures provided an optimal balance between growth and productivity.

Payout of the corporate sales portion of the Annual Bonus Incentive Program is subject to the achievement of no less than 98% of the budgeted sales target set in accordance with the Company's annual budget, which is pre-approved by the Board at the beginning of the fiscal year. If 98% of the budgeted sales target is not achieved, there is no payout under the corporate sales portion of the Annual Bonus Incentive Program.

The following table outlines how payment of the corporate sales portion of the Annual Incentive Bonus is directly linked to achievement of performance targets:

Actual Sales Achieved	Portion of Target Sales Bonus Paid
Less than 98% of Budgeted Sales	No payout of either Corporate or Individual portions of Annual Bonus Incentive
98% of Budgeted Sales	70%
100% of Budgeted Sales	100%
102% of Budgeted Sales	110%
104% of Budgeted Sales	130%
110% of Budgeted Sales and above	200%

A bonus payout of 200% of the corporate performance portion of the Annual Bonus Incentive is the maximum amount payable for this portion of the Annual Bonus Incentive.

Payout of the corporate EBITDA portion of the Annual Bonus Incentive is subject to the achievement of no less than 95% of the budgeted EBITDA target set in accordance with the Company's annual budget, which is pre-approved by the Board at the beginning of the fiscal year. If 95% of the budgeted EBITDA target is not achieved, there is no payout under the corporate EBITDA portion of the Annual Bonus Incentive Program.

The following table outlines how payment of the corporate EBITDA portion of the Annual Bonus Incentive is directly linked to achievement of performance targets:

Actual EBITDA Achieved	Portion of Target EBITDA Bonus Paid
Less than 95% of Budgeted EBITDA	No payout of either Corporate or Individual portions of Annual Bonus Incentive
95% to 99% of Budgeted EBITDA	70%
100% of Budgeted EBITDA	100%
101% to 110% of Budgeted EBITDA	110%
111% to 120% of Budgeted EBITDA	130%
121% to 130% of Budgeted EBITDA	150%
131% to 140% of Budgeted EBITDA	170%
Greater than 141% of Budgeted EBITDA	200%

A bonus payout of 200% of the corporate EBITDA portion of the Annual Bonus Incentive is the maximum amount payable for this portion of the Annual Bonus Incentive.

In fiscal 2015, the Company achieved 128% of its pre-approved EBITDA target and 102% of its pre-approved sales target. The table below outlines the payouts of the corporate performance portion of the Annual Bonus Incentive to the NEOs for fiscal 2015:

	Corporate Performance Measure: EBITDA		Corporate Performance Measure: Sales	
NEO	**% of Corporate EBITDA Portion of Annual Bonus Payout Earned in Fiscal 2015**	**Annual Bonus Payout for Fiscal 2015 – Corporate Performance Portion**	**% of Corporate Sales Portion of Annual Bonus Payout Earned in Fiscal 2015**	**Annual Bonus Payout for Fiscal 2015 – Corporate Performance Portion**
Heather Reisman	150%	$ 75,000	110%	$55,000
Laura Carr	150%	$ 52,500	110%	$38,500
Kay Brekken	n/a	n/a	n/a	n/a
Kirsten Chapman	150%	$ 67,500	110%	$49,500
Scott Formby(1)	150%	$118,125	110%	$86,625
Tod Morehead	150%	$ 59,670	110%	$43,758

(1) Amount shown is the Canadian equivalent of the U.S. funds paid, using an exchange rate of $1.26 (CAD) = $1.00 (USD).

ii) Individual Portion of the Annual Bonus Incentive Program

Payout under the individual performance portion of the Annual Bonus Incentive Program accounts for 50% of the total potential bonus payout. For fiscal 2015, the individual portion of the Annual Bonus Incentive Program was based on the Chief Executive Officer's assessment of each Executive's performance relative to their Balanced Scorecard (as described below), team engagement and personal objectives. The assessment of an Executive's performance related to team engagement and personal objectives is ultimately within the discretion of the Chief Executive Officer and informed by reference to engagement surveys of employees within an Executive's team and corporate goals within an Executive's scope of responsibilities. The Chief Executive Officer's performance is assessed by the Human Resources and Compensation Committee.

The Balanced Scorecard system identifies and measures the key areas for which an individual Executive's performance against strategic objectives is evaluated. The Company updates the detailed goals within each area as part of its annual strategic planning process to set corporate objectives for the upcoming fiscal year. This is translated to a departmental Balanced Scorecard for each Executive's business unit. The goals within the Scorecards are aligned to the Company's strategic goals but specific to each department's area of responsibility. The goals in these departmental Balanced Scorecards are intended to help achieve the Company's strategic targets. Management chooses to link the payout of the individual performance portion of the Annual Bonus Incentive to the achievement of the goals in the departmental Scorecards as this drives Executives to achieve the goals in their area of responsibility. The Balanced Scorecard system translates Indigo's strategy into performance measures used to evaluate individual executive performance against goals in four key areas:

1. the customer's perspective;
2. the employee's perspective;
3. internal processes; and
4. Indigo's shareholders.

Each Executive's achievement relative to their individual functional and Balanced Scorecard objectives is assessed by the Chief Executive Officer. The Executive's overall individual performance is rated and a multiplier applied, ranging from 0% for below target performance, up to 120% for above target performance.

3. Mid- to Long-term Incentive Program ("Super Bonus Plan")

The Company's Super Bonus Plan is designed to motivate designated senior-level employees of the Company to achieve above-target EBITDA and to retain high-performing senior management level employees. The Super Bonus Plan provides meaningful additional bonus payments to participants if the Company exceeds the EBITDA target for the fiscal year.

The bonus pool for the Super Bonus Plan is funded by the amount by which actual EBITDA exceeds the Board-approved EBITDA target (for Super Bonus purposes) for the fiscal year, to a maximum pool of $4 million. The bonus pool is divided into 800 units, with each unit having a maximum value of $5,000. The value of each unit is dependent upon the amount by which actual EBITDA exceeds the EBITDA target for the fiscal year. If actual EBITDA does not exceed the budgeted EBITDA target by at least $0.2 million, there is no payout under the Super Bonus Plan.

The payout schedule for payments made under the Super Bonus Plan is dependent upon the dollar value of each individual payment. The Human Resources and Compensation Committee approves the final payout schedule once actual payments under the Super Bonus Plan are determined.

The Super Bonus Plan payout schedule for fiscal 2015 is set out below:

Actual FY15 EBITDA	Value of Each Super Bonus Plan Unit
Below $20.2 million	$0
$21 million	$1,250
$22 million	$2,500
$23 million	$3,125
$24 million	$3,750
$25 million	$4,375
$26 million	$5,000
Greater than $26 million	To be determined based on Chief Executive Officer’s discussion with Human Resources and Compensation Committee and the Board

Participation in the Super Bonus Plan and the number of units allocated to each participant in the Plan is determined by management. Unit allocations to Executives are recommended by the Chief Executive Officer and approved by the Human Resources and Compensation Committee. Allocations are based on individual participant performance and potential.

Payouts were earned under the Super Bonus Plan in the fiscal year ended March 28, 2015, as the Company reached the EBITDA target set for payment under the Super Bonus Plan. Based on fiscal 2015 EBITDA achievement of $23 million, each unit in the 2015 Super Bonus pool had a value of $3,125. The table below shows the details of the Super Bonus payouts for NEOs for fiscal 2015:

NEO	Fiscal 2015 Super Bonus Units	Fiscal 2015 Super Bonus Award (based on a unit value of $3,125)
Heather Reisman	64	$200,000
Laura Carr	44	$137,500
Kay Brekken	n/a	n/a
Kirsten Chapman	30	$ 93,750
Scott Formby	10	$ 31,250
Tod Morehead	34	$106,250

4. *Stock Option Incentive Plan (“Stock Option Plan”)*

The Stock Option Plan provides a long-term incentive to Indigo’s senior-level employees, including its NEOs.

Options granted through the Stock Option Plan permit plan participants to acquire Shares at an exercise price equal to the closing market price of such Shares on the date immediately preceding the date on which the option was granted. These stock option grants vest over either a three- or a five-year period.

Summary of the Stock Option Plan

The Stock Option Plan is designed to recognize senior-level employees' efforts to develop and implement the Company's strategic initiatives and to provide plan participants with an enhanced opportunity to share in the future success of Indigo. The Stock Option Plan serves to motivate and encourage senior management to deliver performances that increase the value of the Company and growth of Indigo's Share price over the long term.

The Stock Option Plan is also intended to benefit the Company by aligning the optionees' interests with those of its shareholders. It enables the Company to attract and retain personnel of the highest calibre on a cost-effective basis by offering an opportunity for management to participate with shareholders in any increase in value of the Shares resulting from their efforts and thereby contribute to the Company's success.

The Company may grant options to purchase Shares to its officers, full and part-time employees and certain consultants. Directors are not eligible for grants of options. Subject to the overall limit on the number of Shares reserved for issuance under the Stock Option Plan, the maximum number of Shares reserved for issuance pursuant to the exercise of options by any one participant is 5% of the then issued and outstanding Shares. The maximum number of Shares that may be issued to any insider and that insider's associates within any 12-month period may not exceed 5% of the then issued and outstanding Shares. The aggregate number of Shares issued to insiders of the Company within any 12-month period, or issuable to insiders of the Company at any time, under the Stock Option Plan and any other security based compensation arrangement of the Company, may not exceed 10% of the total number of issued and outstanding Shares of the Company at such time. All Shares issued pursuant to the exercise of stock options granted under the Stock Option Plan at any time and from time to time and Shares reserved for issuance pursuant to stock options which are cancelled or terminated without having been exercised shall be again available for issuance pursuant to stock options granted under the Stock Option Plan.

As of May 26, 2015, (i) the overall limit on the number of Shares reserved for issuance under the Stock Option Plan is 3,324,293 Shares or 15% of the issued and outstanding Shares of the Company, less 500,000 Shares reserved for issuance under the Directors' DSU Plan (as described in the section "Compensation of Directors"); (ii) options to purchase 1,561,150 Shares were outstanding, representing approximately 6.12% of the issued and outstanding Shares of the Company and approximately 46.96% of the Shares reserved for issuance under the Stock Option Plan; and (iii) a further 1,763,143 Shares were available for further option grants, representing approximately 6.92% of the issued and outstanding Shares of the Company, resulting in the Stock Option Plan currently having 1,763,143 unallocated options.

Certain administrative amendments to the Stock Option Plan may be made by the Board without shareholder approval, subject to regulatory requirements and provided that the number of Shares reserved for issuance cannot be increased without shareholder approval. Amendments to the Stock Option Plan that may be made without shareholder approval include, without limiting the generality of the foregoing: (i) amendments for the purpose of curing any ambiguity, error or omission in the Stock Option Plan or to correct or supplement any provision of the Stock Option Plan that is inconsistent with any other provision of the Stock Option Plan; (ii) amendments necessary to comply with the provisions of applicable law (including, without limitation, the rules, regulations and policies of the Toronto Stock Exchange ("TSX")); (iii) amendments necessary for awards to qualify for favourable treatment under Canadian tax laws; (iv) amendments to the vesting provisions of the Stock Option Plan or any option; (v) amendments to the early termination provisions of the Stock Option Plan or any option, whether or not such option is held by an insider, provided such amendment does not entail an extension beyond the original expiry date for any option held by an insider; (vi) amendments to extend the term of an option beyond its original expiry date, other than for any option held by an insider; (vii) the addition or modification of a cashless exercise feature, payable in cash or shares, which provides for a full deduction of the number of underlying Shares from the Stock Option Plan reserve; and (viii) amendments necessary to suspend or terminate the Stock Option Plan.

Shareholder approval is required for the following types of amendments to the Stock Option Plan: (i) amendments to increase the number of Shares issuable under the Stock Option Plan, including an increase to a fixed maximum number of Shares or an increase in the fixed maximum percentage; (ii) any amendment which reduces the exercise price or purchase price of an option held by an insider; (iii) any amendment to remove or exceed the insider participation limits; (iv) any amendment extending the term of an option held by an insider beyond its original expiry date except as provided for in the Stock Option Plan; (v) any amendment to cancel an option for a cash payment equal to the fair market value of such option; and (vi) any amendments required to be approved by shareholders under applicable law (including, without limitation, the rules, regulations and policies of the TSX).

The exercise price of an option (as determined by the Board) may not be lower than the closing price of the Shares on the TSX on the trading day immediately preceding the date of the grant. The term of an option may not exceed ten years from the date of the grant. The Board determines the time at which options vest when making a grant. Upon the recommendation of the Human Resources and Compensation Committee, the Board approved a change to the stock option vesting schedule on February 8, 2012, such that options granted thereafter will vest at a rate of 33.3% per year commencing on the anniversary of the date of the grant. Prior to February 8, 2012, options generally vested at a rate of 20% per year, commencing on the anniversary of the date of the grant. Changes to the stock option vesting schedule were made to align the time required for options to vest with the time horizon required to realize the results of the Company's strategic plan and to allow for the ongoing renewal of the Stock Option Plan.

In the event of the resignation or termination of employment of an optionee, options expire upon the earlier of thirty days following such resignation or termination or the original expiry date. In the event of the optionee's termination due to long-term disability, options expire upon the earlier of three months following such termination or the original expiry date. In the event of the optionee's death, options expire upon the earlier of one year following the date of death or the original expiry date.

Options are non-assignable and non-transferable.

The Board may provide for all issued and outstanding options to vest and become exercisable immediately upon a change of control of the Company.

Granting of Stock Options

Stock option grants are considered as an incentive at the time of hiring of new senior-level candidates, for individuals in senior-level positions receiving promotions, and for retention purposes.

The grant of stock options are based on three major criteria: (i) the ability of the individual to have a significant impact on longer term results; (ii) the importance of the person to the mid- and long-term performance of the Company; and (iii) the potential of the individual to continue to progress within the Company.

In the past, Indigo has made periodic group grants to senior-level employees. Decisions regarding stock option grants to the Executives are made based on recommendations of the Chief Executive Officer and her review of their performance and contribution. The Chief Executive Officer's recommendations are then reviewed by the Human Resources and Compensation Committee and if accepted are then recommended to the Board for approval. Grant decisions for vice president and director level employees are based on the recommendations of the Executive team and a review of each employee's performance and contribution. The vice president and director level grants are then reviewed by the Human Resources and Compensation Committee, which has the authority, delegated by the Board, to approve group grants of stock options. The number of options available for issuance under the Stock Option Plan and the number of stock options previously granted to the individual are also considered when any option grant is made. During the fiscal year ended March 28, 2015, there was one group stock option grant which included a grant of stock options to NEOs, and one individual stock option grant to a NEO.

On June 24, 2014, a group grant of stock options to Executives and senior-level employees was approved by the Human Resources and Compensation Committee, with authority previously delegated by the Board. The effective date for these stock option grants was set at June 26, 2014. Accordingly, a grant of 40,000 stock options was made to each of the NEOs, except for Heather Reisman, Kay Brekken and Laura Carr. No stock options were granted to

Ms. Brekken as she resigned as Chief Financial Officer effective June 25, 2014. No stock options were granted to Ms. Reisman as she chose not to participate in the grant. On June 26, 2014, an individual grant of 75,000 stock options to Laura Carr was approved by the Board with an effective date of June 25, 2014, her start date in the position of Executive Vice President and Chief Financial Officer.

Of the total number of stock options granted in fiscal 2015, 29.2% of the options granted were awarded to NEOs.

The stock options received by each NEO in fiscal 2015 are outlined in the table below:

NEO	Number of Options Granted
Heather Reisman	nil
Laura Carr	75,000
Kay Brekken	nil
Kirsten Chapman	40,000
Scott Formby	40,000
Tod Morehead	40,000

For all outstanding stock options held by NEOs, see “Outstanding Option-Based Awards” on page 25 of this circular.

5. *Perquisites and Other Benefits*

Perquisites

The Company introduced a perquisite program for Executives and vice presidents in fiscal 2006, offering Executives and vice presidents a perquisite account to provide participants with the flexibility to top up their benefits in a way that is meaningful to them.

The Company’s perquisite program allows compensation for the following benefits: health and dental care upgrades; automobile leasing or car care; child care; elder care; club membership (airline, country club, health and fitness, etc.); estate planning; financial or tax counselling; home computers or office equipment for personal or business use; income tax preparation; legal counselling; newspaper/magazine subscriptions; parking; personal trainer; private health care; retirement counselling; school fees; and travel upgrades.

Each Executive receives a perquisite account in the amount of $5,000 each fiscal year. If an Executive joins the Company part way through a fiscal year, the amount of their perquisite account is prorated for the period of time remaining in that fiscal year. Mr. Formby’s perquisite account amount for fiscal 2015 was converted to Canadian dollars at an exchange rate of $1.26 (CAD) = $1.00 (USD) ($6,300 CAD).

Other Benefits

RRSP Matching Program

The Company’s RRSP Matching Program is open to all eligible employees, including Executives. The RRSP Matching Program matches employees’ contributions up to a maximum of 3% of base salary per fiscal year for eligible employees who participate in the program.

The amounts paid to participating NEOs in fiscal 2015 are noted in the following table:

NEO	Amount received by NEO in fiscal 2015 pursuant to the Company's RRSP Matching Program
Heather Reisman	nil
Laura Carr	$ 9,975
Kay Brekken	$ 1,406
Kirsten Chapman	nil
Scott Formby	nil
Tod Morehead	$11,250

Health Benefits

Executives are eligible to receive the same health benefits which are available to all other employees. The Executives receive their health benefits at no cost; all other eligible employees pay a monthly premium of $25/month for single coverage or $50/month for family coverage. In addition, benefits provided to the Executives include a higher level of life insurance and 100% coverage for health (coverage does not include dispensing fees) and dental claims compared with 80% coverage for health and dental claims for all other eligible employees.

Car Allowance

Each Executive, with the exception of the Chief Creative Officer and the Executive Vice President and Group General Merchandise Manager, receives a monthly taxable car allowance of $1,100.

Summary

Indigo believes that the components of the executive compensation program (Base Salary, Annual Bonus Incentive, Super Bonus Plan, Stock Option Plan, and Perquisites and Other Benefits) support the Company's performance compensation philosophy and allow Indigo to build and sustain an outstanding management team focused on corporate performance and improving shareholder value.

Performance-Based Compensation

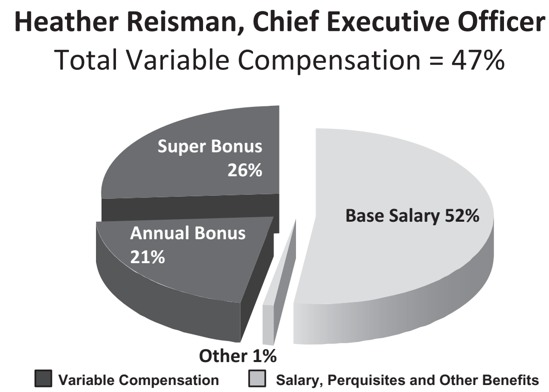
Indigo's executive compensation is a mix of fixed and variable/at-risk components. The fixed elements provide compensation to Executives based on the responsibilities of their roles and their individual knowledge and experience. The variable/at-risk elements ensure that Executives balance short-term gains with the long-term interests of the Company.

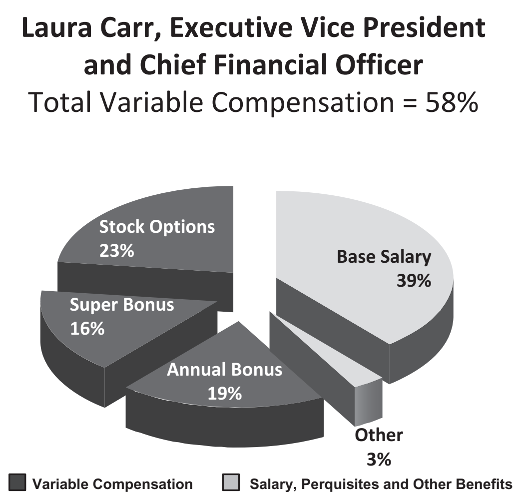
In fiscal 2015, the fixed compensation portion of the NEO's compensation was made up of Base Salary and Perquisites and Other Benefits (Health Benefits, Car Allowance, and RRSP Matching Program).

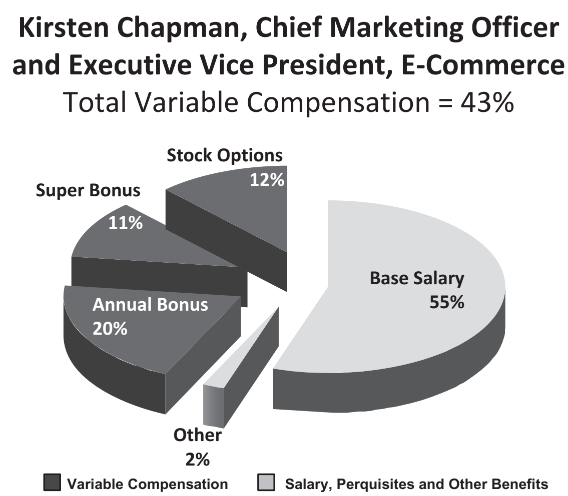
In fiscal 2015, the variable/at-risk portion of the NEO's compensation was made up of the Annual Bonus Incentive Program, the Super Bonus Plan, and the Stock Option Plan. The fiscal 2015 variable/at-risk compensation for currently active NEOs ranged from 43% to 58% of total compensation.

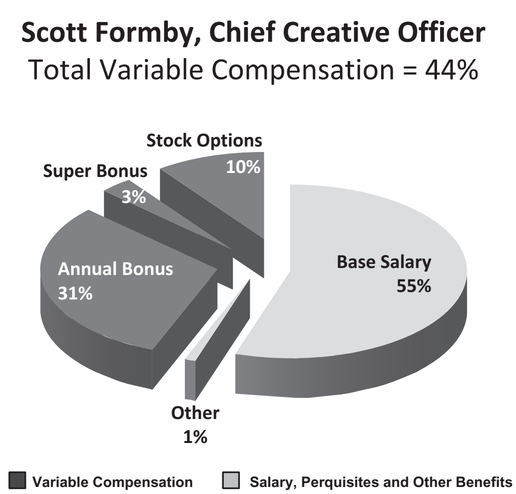
The charts below illustrate the percent of variable compensation for each NEO employed by Indigo for the full 2015 fiscal year:

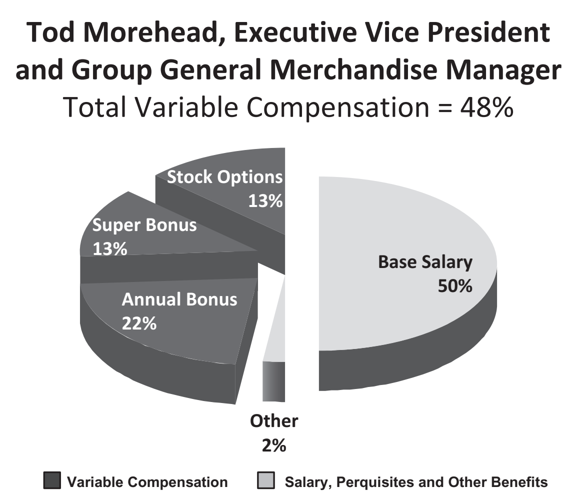
Fiscal 2015 Performance-Based Compensation for NEOs











Benchmarking and the Role of Compensation Consultants

Periodically, the market value of each Executive position is reviewed by an independent consulting firm. Although the firm is retained by management to provide a benchmarking study, the Human Resources and Compensation Committee has unfettered access to the consulting firm and the results of the study are shared with the Human Resources and Compensation Committee. The Company's target level for executive compensation (Base Salary, Annual Bonus Incentive, and Mid- to Long-Term Incentive) is aimed to be at or above the median position in the market of Canadian companies of comparable size and nature.

To ensure that the Company's executive compensation program is competitive, Indigo has identified criteria to establish a suitable external comparator group against which to benchmark its compensation practices. The practice of benchmarking the Company's compensation program against the appropriate comparator group ensures that Indigo provides a compelling compensation package to attract and retain top performers from the competitive marketplace.

While there is no uniform industry group to which Indigo can be easily compared, the Company has chosen a comparator comprised of organizations from three categories: (1) Canadian retail companies; (2) U.S. retail companies; and (3) Canadian companies (from all industry sectors) with a comparable revenue range.

The most recent retail market assessment was completed in partnership with Towers Watson in 2014 to assess the Company's competitive positioning relative to the retail market. The review completed by Towers Watson concluded that the Company's target compensation levels are well aligned with its stated competitive positioning policy. The competitiveness of actual compensation levels is dependent upon whether payouts are generated by the annual, mid-term and long-term variable compensation programs. In fiscal 2014, Indigo paid an aggregate of $114,935 to Towers Watson. No fees were paid to independent compensation consultants in fiscal 2015.

The Canadian and U.S. retail comparators (the "Comparator Group") are listed below:

Canadian Retailers	U.S. Retailers
Birks Group Inc.	American Greetings Corporation
Danier Leather Inc.	American Apparel, Inc.
Dollarama Inc.	ANN INC.
Glentel Inc.	Fifth & Pacific Companies Inc.
Jean Coutu Group (PJC) Inc.	Fossil Group Inc.
Le Château Inc.	Hot Topic, Inc.
lululemon athletica inc.	Pier 1 Imports, Inc.
Reitmans (Canada) Limited	Tuesday Morning Corporation
	Urban Outfitters, Inc.
	Vera Bradley, Inc.
	Williams-Sonoma, Inc.

Executives' Role in Compensation Decisions

The Chief Executive Officer works with the Chief Financial Officer and the Senior Vice President, Human Resources and Organizational Development to prepare recommendations for executive compensation to the Human Resources and Compensation Committee.

The Senior Vice President, Human Resources and Organizational Development works with the Chair of the Human Resources and Compensation Committee to plan the schedule of committee meetings for the year and to prepare the agenda and presentations for each meeting.

Composition of the Human Resources and Compensation Committee

Mr. Clegg, Mr. Hall and Mr. Kirby served as members of the Human Resources and Compensation Committee of the Board for the entire fiscal year ended March 28, 2015. Ms. O'Donovan was appointed as a member on November 4, 2014, increasing the number of members of the Committee to four. None of the members of the Human Resources and Compensation Committee is an officer, employee or former officer or employee of the Company or any of its affiliates or is eligible to participate in the Company's executive compensation programs. None of the members is an active chief executive officer with a publicly-traded entity.

Expertise of the Human Resources and Compensation Committee

Three of the four committee members have experience serving on compensation committees of other public companies. In addition, as President of a major corporation, Mr. Clegg was responsible for designing and implementing key compensation policies for all executives. Mr. Kirby has served as the chair of several public company human resources committees and has extensive experience in human resource related matters from his role as a Deputy Minister in both the Canadian federal government and the government of Nova Scotia. Mr. Hall, the Chair of the Human Resources and Compensation Committee, gained human resources and compensation expertise in his roles as chief executive officer of a U.S.-based public company and as chief investment officer of a Canadian private equity investment fund. Ms. O'Donovan gained human resources and compensation expertise in her roles as an Executive Vice President of Scotiabank with responsibility for over 2,000 employees and as the Chair of the Board of Directors of Scotiabank Europe. At Scotiabank, Ms. O'Donovan was actively involved in all matters of compensation, including assessing risk factors in calculating bonus plan payouts.

Role of the Human Resources and Compensation Committee

The Human Resources and Compensation Committee reviews and makes recommendations to the Board in all matters pertaining to the appointment, compensation and benefits of all of the Company's Executives. The Human Resources and Compensation Committee held four meetings in fiscal 2015.

Each year, the Human Resources and Compensation Committee receives a review of executive compensation which includes a recommendation of increases to base salaries. When considering proposed increases to base salaries, the Committee considers the Chief Executive Officer's recommendations, the Company's performance over the previous year, economic conditions and compensation paid for similar positions at comparable companies. The Human Resources and Compensation Committee makes recommendations to the Board regarding the Chief Executive Officer's compensation.

Compensation of the Chief Executive Officer

The compensation of the Chief Executive Officer is based upon the same criteria as that used in determining the compensation payable to the Company's other Executives. The base salary of the Chief Executive Officer is determined by an assessment by the Human Resources and Compensation Committee of the Chief Executive Officer's performance, a consideration of competitive compensation levels in companies similar to Indigo, a review of the Company's performance as a whole, and the role the Chief Executive Officer played in such corporate performance.

As noted above, the market value of all Executive positions, including that of the Chief Executive Officer, is assessed periodically by an independent consulting firm which reports to the Human Resources and Compensation Committee. The total compensation is reviewed against the Comparator Group, which is set out above in the section titled "Benchmarking and the Role of Compensation Consultants".

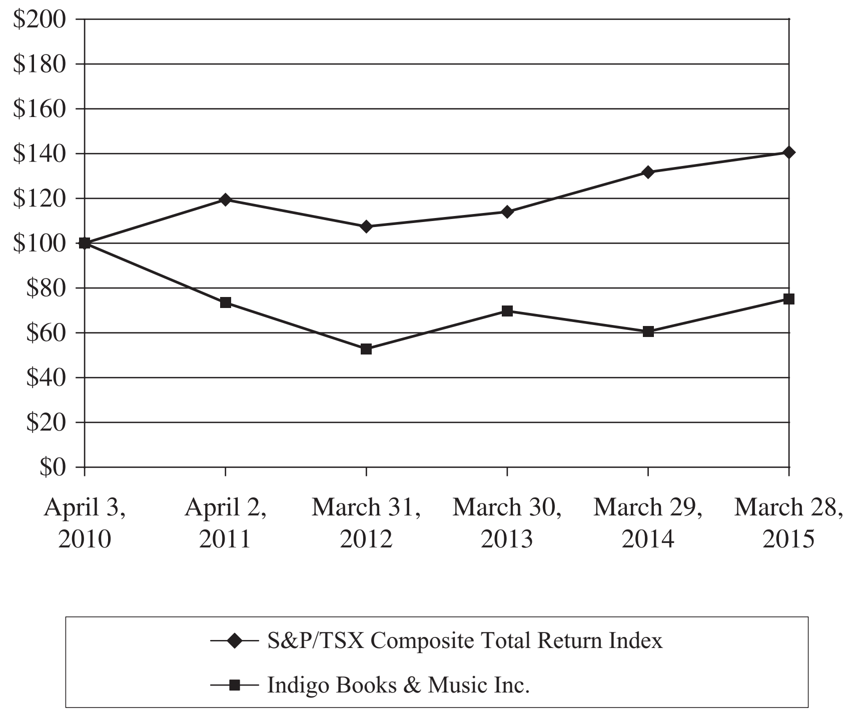
While the total compensation for other Executive positions is intended to be positioned close to market median, the Human Resources and Compensation Committee recognized that the salary for the Chief Executive Officer position was well below the median. However, the Chief Executive Officer chose to accept such compensation during the expansionary phase of the business and her base salary remained at the same level from 2001 to 2007. Effective April 1, 2007, the Chief Executive Officer became eligible to participate in the Annual Bonus Incentive Program, as well as the Stock Option Plan. The Chief Executive Officer's base salary was increased to $500,000 on April 1, 2007. On October 1, 2010, the Chief Executive Officer elected to reduce her base salary to $300,000 in recognition of the changing nature of the business and the significant period of transition facing the Company. The Human Resources and Compensation Committee approved an increase in the Chief Executive Officer's base salary to return to its fiscal 2011 level of $500,000, effective June 1, 2012, in recognition of the increased responsibilities of the Chief Executive Officer during the Company's strategic transformation into a cultural department store (as described in more detail in Indigo's Annual Information Form dated May 26, 2015). In a signal of support for the business during the Company's transformation, the Chief Executive Officer elected to reduce her base salary from $500,000 to $416,667 in fiscal 2014. In fiscal 2015, the Chief Executive Officer received a base salary of $500,000.

The Human Resources and Compensation Committee recommends to the Board the annual bonus amount earned by the Chief Executive Officer, pursuant to the Annual Bonus Incentive Program, based on her performance during the fiscal year. The Chief Executive Officer has discretion to accept or forgo the recommended bonus. For the fiscal year ended March 31, 2012, the Chief Executive Officer received an annual bonus incentive of $500,000, but elected to not receive a grant of stock options. In the fiscal years ended April 2, 2011, March 30, 2013, and March 29, 2014, the Chief Executive Officer chose not to receive an annual bonus incentive payment or a grant of stock options. In the fiscal year ended March 28, 2015, the Chief Executive Officer received an annual bonus of $250,000 and a Super Bonus of $200,000, but elected to not receive stock options.

PERFORMANCE GRAPH

The following graph compares the total cumulative shareholder return for $100 invested in Indigo Shares on April 3, 2010, with the cumulative total return of the S&P/TSX Composite Total Return Index for the fiscal years ended April 2, 2011, March 31, 2012, March 30, 2013, March 29, 2014 and March 28, 2015.(1)

(1) Total return assumes reinvestment of dividends for the S&P/TSX Composite Total Return Index and Indigo Shares.

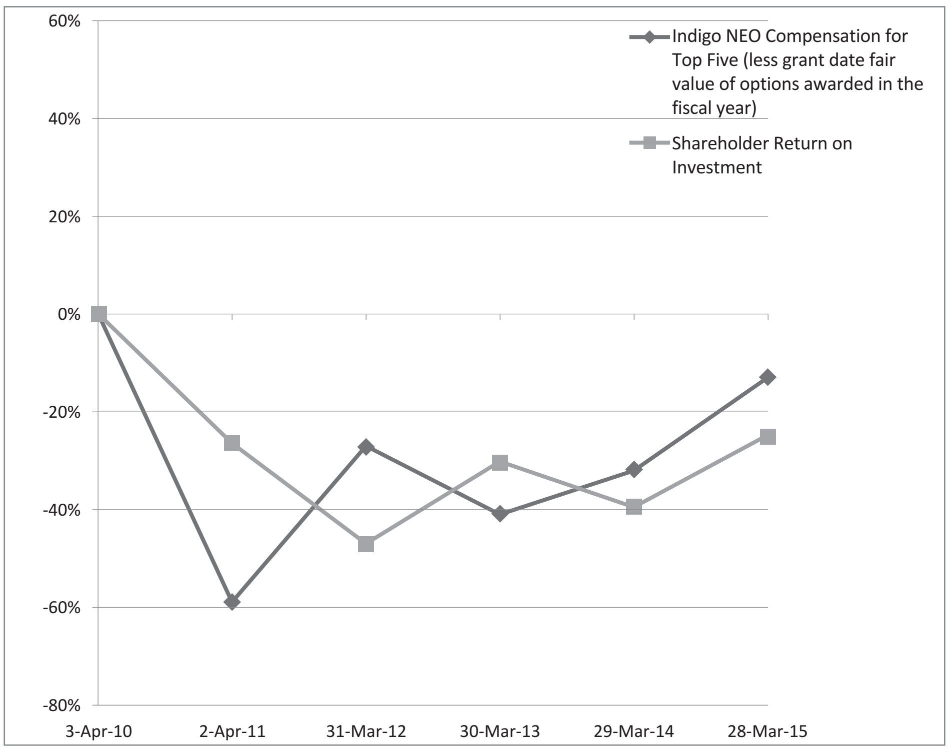


	April 3, 2010	April 2, 2011	March 31, 2012	March 30, 2013	March 29, 2014	March 28, 2015
Indigo Common Shares	$100.00	$ 73.52	$ 52.99	$ 69.67	$ 60.54	$ 75.19
S&P/TSX Composite Total Return Index	$100.00	$119.39	$107.56	$114.13	$131.67	$140.68

For the fiscal years ended April 3, 2010 through March 30, 2013, the Annual Bonus Incentive Program, and the Super Bonus Program, where applicable, were based on the achievement of EBITDA targets. For the fiscal year ended March 29, 2014, the Annual Bonus Incentive Program was based on achievement of top-line sales and the Super Bonus Program was based on achievement of EBITDA targets. For the fiscal year ended March 28, 2015, the Annual Bonus Incentive Program was based on the achievement of sales and EBITDA targets, as well as personal objectives, Balanced Scorecard and employee engagement. The fiscal 2015 Super Bonus Program was based on the achievement of EBITDA targets approved for the purposes of the Super Bonus Plan. As a result of these performance measures, total executive compensation potential is tied to top-line sales and EBITDA rather than share price.

The graph provided below illustrates how the Company's year-over-year changes in total NEO cash compensation compares with changes in shareholders' annual return on investment (fiscal year to fiscal year) over the past five fiscal years. NEO compensation for the year ended April 2, 2011 reflected a significant decrease from the previous year due to the low level of the Chief Executive Officer's salary. For the year ended March 31, 2012, NEO compensation included the award of a Special Achievement Bonus and the compensation of the President in fiscal 2012. The year ended March 30, 2013, shows an increase in shareholder return and a decrease in year-over-year NEO compensation. The decrease in fiscal 2013 NEO compensation compared to fiscal 2012 compensation is due to the one-time Special Achievement Bonus paid in fiscal 2012. The year ended March 29, 2014, shows a decrease in shareholder return and an increase in year-over-year NEO compensation. The increase in fiscal 2014 NEO compensation compared to fiscal 2013 compensation is due largely to the amounts earned by three NEOs as part of the Company's one-time stock option buyback program (the "Option Buyback Program"). The year ended March 28, 2015 shows an increase in year-over-year NEO compensation due to: (1) payouts under the Annual Bonus Incentive Program and the Super Bonus Plan; (2) the Chief Executive Officer participated in and received payments under both of these bonus programs; and (3) the Chief Creative Officer is paid in U.S. dollar which factors in an exchange rate of $1.26 (CAD) for $1.00 (USD) on all of his earnings, except for his Super Bonus award which is calculated in Canadian dollars. Fiscal 2015 also shows an increase of shareholder return on investment over the previous fiscal year.

As stock option compensation is dependent on future share performance, this portion of compensation is not included in the historical comparison of total compensation to historical shareholder returns. For consistency in year-over-year comparisons, only the compensation for the top five NEOs is included in chart below.



Prohibition on Hedging

The Company's Disclosure and Insider Trading Policy prohibits Executives and directors from purchasing financial instruments that are designed to hedge or offset a decrease in the market value of equity securities of the Company, whether such securities are granted as compensation or otherwise.

SUMMARY COMPENSATION TABLE

The following table summarizes all of the compensation received by the Company's NEOs for the three most recently completed fiscal years ended March 28, 2015, March 29, 2014, and March 30, 2013:

				Non-Equity Incentive Plan Compensation			
Name and Principal Position	**Year**	**Salary ($)**	**Option-based Awards[(1)] ($)**	**Annual Incentive Plans[(2)] ($)**	**Long-Term Incentive Plans[(3)] ($)**	**All Other Compensation[(4)] ($)**	**Total Compensation ($)**
HEATHER REISMAN[(5)]	2015	$500,000	nil	$250,000	$200,000	$13,750	$ 963,750
Chair and Chief Executive Officer	2014	$416,667	nil	nil	n/a	$13,200	$ 429,867
	2013	$466,667	nil	nil	n/a	$13,200	$ 479,867
LAURA CARR[(6)]	2015	$333,957	$189,477	$161,000	$137,500	$27,055	$ 848,939
Executive Vice President and Chief	2014	$110,385	$106,560	$ 84,000	nil	$82,241	$ 383,186
Financial Officer	2013	n/a	n/a	n/a	n/a	n/a	n/a
KAY BREKKEN[(7)]	2015	$ 97,563	n/a	n/a	n/a	$ 5,956	$ 103,519
Chief Financial Officer	2014	$365,000	$ 99,500	$150,000	nil	$60,750	$ 675,250
	2013	$312,500	$ 28,400	$126,000	nil	$26,324	$ 493,224
KIRSTEN CHAPMAN[(8)]	2015	$450,000	$102,003	$162,000	$ 93,750	$18,200	$ 825,953
Chief Marketing Officer and Executive	2014	$350,000	$ 78,084	$148,333	nil	$30,066	$ 606,483
Vice President, E-Commerce	2013	$ 82,340	$ 99,452	$ 32,219	nil	$ 3,215	$ 217,226
SCOTT FORMBY[(9)]	2015	$569,637	$102,003	$315,000	$ 31,250	$ 6,300	$1,024,190
Chief Creative Officer	2014	$132,701	$407,475	nil	nil	n/a	$ 540,176
	2013	n/a	n/a	n/a	n/a	n/a	n/a
TOD MOREHEAD[(10)]	2015	$396,500	$102,003	$178,428	$106,250	$16,250	$ 799,431
Executive Vice President and Group	2014	$387,500	$ 99,500	$156,000	nil	$16,250	$ 659,250
General Merchandise Manager	2013	$187,500	$156,000	$ 87,397	n/a	$ 2,500	$ 433,397

(1) The grant date fair value of stock options is calculated using the Black-Scholes valuation method. The Company has chosen the Black-Scholes method as it is an appropriate and commonly used method for valuing stock options.

(2) The bonus amount under Annual Incentive Plans discloses the amounts earned by an individual during a fiscal year under the Annual Bonus Incentive Program. Amounts earned under the Annual Bonus Incentive Program, where applicable, are paid out in the first quarter of the fiscal year following the fiscal year in which they were earned.

(3) The bonus amount under Long Term Incentive Plans discloses the amounts earned by an individual during a fiscal year under the Super Bonus Plan. Amounts earned under the Super Bonus Plan, where applicable, depending on the amount of such payments, are paid out 50% in the first quarter of the fiscal year following the fiscal year in which they were earned, and 25% in each of the two subsequent fiscal years, as long as the individual is still employed by the Company during such years. If an individual is not employed by the Company during such year, they do not receive such remaining amounts.

(4) The amounts shown under All Other Compensation include the amounts paid to NEOs under the Company's Option Buyback Program (for fiscal 2014), the NEOs taxable car allowance, other perquisites, amounts reflecting the value received during the year pursuant to the RRSP matching program where applicable, signing bonus amounts where applicable, any amounts paid as moving allowances where applicable, and any other special bonuses where applicable. The Company's Option Buyback Program was approved by shareholders on June 25, 2013, and represented a one-time buyback of 870,500 outstanding stock options with an exercise price of $13.00 per share or greater. The cash consideration per cancelled option in the Option Buyback Program ranged from $0.69 to $1.50, as determined by an independent third party valuator from a compensation consulting firm applying the binomial valuation model.

(5) Ms. Reisman is the Chair and Chief Executive Officer. On October 1, 2010, Ms. Reisman elected to reduce her annual base salary from $500,000 to $300,000. Effective June 1, 2012, Ms. Reisman's salary was increased to $500,000 upon the recommendation of the Human Resources and Compensation Committee and approval of the Board. In fiscal 2014, Ms. Reisman again elected to reduce her annual base salary from $500,000 to $416,667. In fiscal 2015, Ms. Reisman received a base salary of $500,000.

For fiscal years 2014 and 2013, Ms. Reisman chose not to accept a bonus payment.

Ms. Reisman does not receive compensation for her duties as a Board member.

(6) Ms. Carr joined Indigo on November 11, 2013 as Senior Vice President, Finance. Pursuant to her employment agreement, Ms. Carr received a special bonus payment of $75,000 in 2014. Ms. Carr was appointed Executive Vice President and Chief Financial Officer effective June 25, 2014.

Ms. Carr's annual base salary as Executive Vice President and Chief Financial Officer is $350,000, which commenced upon her appointment effective June 25, 2014.

On June 25, 2014, Ms. Carr received a grant of 75,000 stock options. The Black-Scholes fair value of these options on the grant date is $189,477. The following assumptions were used in the calculation of the grant date fair value of these stock options: risk-free rate of 1.23%; time to maturity of 3.0 years; and volatility of 33.95%.

On November 11, 2013, Ms. Carr received a grant of 50,000 stock options. The Black-Scholes fair value of these options on the grant date is $106,560. The following assumptions were used in the calculation of the grant date fair value of these stock options: risk-free rate of 1.31%; time to maturity of 3.0 years; and volatility of 34.78%.

Pursuant to the RRSP matching program, the Company matched Ms. Carr's RRSP contribution of $9,975 and $2,100, for fiscal years 2015 and 2014, respectively.

(7) Ms. Brekken resigned from the position of Chief Financial Officer of the Company on June 25, 2014.

Ms. Brekken was hired as Vice President, Finance on November 10, 2003, and was subsequently appointed as Senior Vice President, Finance and Chief Accounting Officer effective October 29, 2008. Ms. Brekken was appointed as Chief Financial Officer on April 3, 2011.

In 2014, Ms. Brekken received a one-time cash payment of $31,600 pursuant to the Company's Option Buyback Program.

On August 12, 2013, Ms. Brekken was granted 50,000 stock options as part of a group employee stock option grant. The Black-Scholes fair value of these options on the grant date is $99,500. The following assumptions were used in the calculation of the grant date fair value of these stock options: risk-free rate of 1.19%; time to maturity of 2.99 years; dividend yield of 4.19%; and volatility of 36.48%.

On August 13, 2012, Ms. Brekken was granted 20,000 stock options as part of a group employee stock option grant. The Black-Scholes fair value of these options on the grant date is $28,400. The following assumptions were used in the calculation of the grant date fair value of these stock options: risk-free rate of 1.20%; time to maturity of 2.99 years; dividend yield of 5.21%; and volatility of 37.32%.

Pursuant to the RRSP matching program, the Company matched Ms. Brekken's RRSP contribution of $1,406, $10,950, and $8,124, for fiscal years 2015, 2014, and 2013, respectively.

(8) Ms. Chapman joined Indigo on January 7, 2013 as Executive Vice President, Online and Mobile. Ms. Chapman was appointed Chief Marketing Officer and Executive Vice President, E-Commerce effective May 1, 2014.

On June 26, 2014, Ms. Chapman received a grant of 40,000 stock options. The Black-Scholes fair value of these options on the grant date is $102,003. The following assumptions were used in the calculation of the grant date fair value of these stock options: risk-free rate of 1.21%; time to maturity of 3.0 years; and volatility of 33.93%.

On August 12, 2013, Ms. Chapman was granted 40,000 stock options as part of a group employee stock option grant. The Black-Scholes fair value of these options on the grant date is $78,084. The following assumptions were used in the calculation of the grant date fair value of these stock options: risk-free rate of 1.19%; time to maturity of 2.99 years; dividend yield of 4.19%; and volatility of 36.48%.

On February 8, 2013, Ms. Chapman was granted 50,000 stock options as part of a group employee stock option grant. The Black-Scholes fair value of these options on the grant date is $99,452. The following assumptions were used in the calculation of the grant date fair value of these stock options: risk-free rate of 1.19%; time to maturity of 3.0 years; dividend yield of 4.19%; and volatility of 36.46%.

(9) Mr. Formby joined Indigo on January 3, 2014 as Chief Creative Officer.

Mr. Formby is paid in U.S. dollars; amounts have been converted to Canadian dollars, except for the Super Bonus award, which is shown in Canadian dollars. Mr. Formby receives an annual base salary of $500,000 U.S. For base salary, exchange rates are calculated on a monthly basis; other amounts are calculated at an exchange rate of $1.26 (CAD) = $1.00 (USD), being the closing rate at fiscal year-end. Pursuant to his employment contract, Mr. Formby is entitled to an annual performance bonus of 50% of salary in 2015.

On June 26, 2014, Mr. Formby received a grant of 40,000 stock options as part of a group employee stock option grant. The Black-Scholes fair value of these options on the grant date is $102,003. The following assumptions were used in the calculation of the grant date fair value of these stock options: risk-free rate of 1.21%; time to maturity of 3.0 years; and volatility of 33.93%.

On January 3, 2014, Mr. Formby was granted 200,000 stock options as per his employment offer. The Black-Scholes fair value of these options on the grant date is $407,475. The following assumptions were used in the calculation of the grant date fair value of these stock options: risk-free rate of 1.30%; time to maturity of 3.0 years; and volatility of 34.88%.

(10) Mr. Morehead was hired as Executive Vice President and Group General Merchandise Manager on October 1, 2012.

On June 26, 2014, Mr. Morehead was granted 40,000 stock options as part of a group employee stock option grant. The Black-Scholes fair value of these options on the grant date is $102,003. The following assumptions were used in the calculation of the grant date fair value of these stock options: risk-free rate of 1.21%; time to maturity of 3.0 years; and volatility of 33.93%.

On August 12, 2013, Mr. Morehead was granted 50,000 stock options as part of a group employee stock option grant. The Black-Scholes fair value of these options on the grant date is $99,500. The following assumptions were used in the calculation of the grant date fair value of these stock options: risk-free rate of 1.19%; time to maturity of 2.99 years; dividend yield of 4.19%; and volatility of 36.48%.

On October 1, 2012, Mr. Morehead was granted 100,000 stock options as per his employment offer. The Black-Scholes fair value of these options on the grant date is $156,000. The following assumptions were used in the calculation of the grant date fair value of these stock options: risk free rate of 1.13%; time to maturity of 2.99 years; dividend yield of 4.97%; and volatility of 37.02%.

Pursuant to the RRSP matching program, the Company matched Mr. Morehead's RRSP contribution of $11,250 for each fiscal year in 2015 and 2014.

OUTSTANDING OPTION-BASED AWARDS

The following table shows the number and value of outstanding stock options held by each of the NEOs as at March 28, 2015:

	Option-Based Awards			
NEO	**Number of Securities Underlying Unexercised Options (#)**	**Option Exercise Price ($)**	**Options Expiration Date**	**Value of Unexercised in-the-money Options(1) ($)**
Heather Reisman	nil	n/a	n/a	n/a
Laura Carr	50,000	$ 8.51	November 11, 2018	$154,500
Laura Carr	75,000	$10.35	June 25, 2019	$ 93,750
Kirsten Chapman	50,000	$10.70	February 8, 2018	$ 45,000
Kirsten Chapman	40,000	$10.70	August 12, 2018	$ 36,000
Kirsten Chapman	40,000	$10.46	June 26, 2019	$ 45,600
Scott Formby	200,000	$ 8.12	January 3, 2019	$696,000
Scott Formby	40,000	$10.46	June 26, 2019	$ 45,600
Tod Morehead	100,000	$ 8.74	October 1, 2017	$286,000
Tod Morehead	50,000	$10.70	August 12, 2018	$ 45,000
Tod Morehead	40,000	$10.46	June 26, 2019	$ 45,600

(1) This column contains the aggregate dollar value of in-the-money vested and unvested unexercised options as at March 28, 2015, using the March 27, 2015 closing Share price of $11.60.

INCENTIVE PLAN AWARDS — VALUE VESTED OR EARNED DURING THE YEAR

The following table shows the value of any outstanding stock options held by each of the NEOs which vested during fiscal 2015 along with amounts earned under non-equity incentive compensation plans in fiscal 2015. The value of the options has been calculated based on the closing share price on the date on which the options vested.

		Non-equity incentive plan compensation(2) — Value Earned During the Year ($)	
NEO	**Option-Based Awards — Value Vested During the Year(1) ($)**	**Annual Bonus Incentive Program**	**Super Bonus Plan**
Heather Reisman	n/a	$250,000	$200,000
Laura Carr	$ 54,230	$161,000	$137,500
Kay Brekken	n/a(3)	n/a	n/a
Kirsten Chapman	$ 11,550	$162,000	$ 93,750
Scott Formby	$257,040	$315,000(4)	$ 31,250
Tod Morehead	$ 99,000	$178,428	$106,500

(1) This column includes the aggregate dollar value that would have been realized if stock options had been exercised on the vesting date.

(2) Non-equity incentive plan compensation includes amounts earned by an individual during a fiscal year under the Annual Bonus Incentive Program and the Super Bonus Plan. Amounts earned under the Annual Bonus Incentive Program, where applicable, are paid out in the first quarter of the fiscal year following the fiscal year in which they were earned. Super Bonus payouts may be paid in one to three instalments (payments made in consecutive years), depending on the amount of the payout.

(3) Kay Brekken resigned on June 25, 2014; 23,600 options would have vested in August 2014.

(4) Amount shown is the Canadian equivalent of the U.S. funds paid, using an exchange rate of $1.26 (CAD) = $1.00 (USD).

MATERIAL TERMS AND CONDITIONS OF EMPLOYMENT AGREEMENTS

Indigo has employment agreements with its Executive Vice President and Chief Financial Officer; Chief Marketing Officer and Executive Vice President, E-Commerce; Chief Creative Officer; and Executive Vice President and Group General Merchandise Manager. The key terms of these agreements are outlined below.

Laura Carr, Executive Vice President and Chief Financial Officer

Indigo has an employment agreement with its Executive Vice President and Chief Financial Officer, Ms. Laura Carr. If Ms. Carr's employment had been terminated without cause on the last day of fiscal 2015, the Company would have been obligated to pay Ms. Carr the sum of $511,000 under the terms of this agreement.

Ms. Carr's employment agreement is dated June 23, 2014, just prior to her appointment to the role of Executive Vice President and Chief Financial Officer on June 25, 2014. Ms. Carr's employment agreement dated June 23, 2014 superseded an employment agreement dated April 10, 2013.

In the event that Ms. Carr is terminated for any reason without cause she is entitled to: salary continuance equal to 12 months of her base salary plus target bonus; a pro rata amount of the corporate bonus portion of the Annual Bonus Incentive for the portion of the bonus period prior to termination (if payable for that period); and all benefit programs for the relevant period during which salary continued except for long term disability and accidental death and dismemberment coverage. In the event that Ms. Carr accepts replacement employment during the salary continuation period, all continuation payments cease upon her re-employment.

Kay Brekken, Chief Financial Officer

Ms. Kay Brekken resigned as the Chief Financial Officer of the Company effective June 25, 2014. The Company did not pay Ms. Brekken any amount as a result of her resignation.

Kirsten Chapman, Chief Marketing Officer and Executive Vice President, E-Commerce

Indigo has an employment agreement with its Chief Marketing Officer and Executive Vice President, E-Commerce, Ms. Kirsten Chapman. Ms. Chapman's employment agreement does not include a termination clause. Accordingly, upon termination Ms. Chapman's entitlement would be determined under common law.

Ms. Chapman's employment agreement is dated January 7, 2013, the start date of her employment with the Company.

Scott Formby, Chief Creative Officer

Indigo has an employment agreement with its Chief Creative Officer, Mr. Scott Formby. If Mr. Formby's employment had been terminated without cause on the last day of fiscal 2015, the Company would have been obligated to pay Mr. Formby the sum of $630,000 (CAD) (base salary of $500,000 U.S.) over a period of 12 months under the terms of this agreement. Mr. Formby is compensated in U.S. dollars and amounts are converted from U.S. dollars to Canadian dollars at the exchange rate at time of payment. For the purpose of this disclosure, an exchange rate of $1.26 (CAD) = $1.00 (USD) is being used.

Mr. Formby's employment agreement is dated December 23, 2013; his start date with the Company was January 3, 2014.

In the event that Mr. Formby is terminated for any reason without cause, he is entitled to salary continuance equal to 12 months of his base salary. In the event that Mr. Formby accepts alternate full-time employment or consulting work leading to full-time employment during the salary continuation period, all payments and benefits will cease upon the earlier of Mr. Formby commencing such full-time employment or consulting work.

Tod Morehead, Executive Vice President and Group General Merchandise Manager

Indigo has an employment agreement with Executive Vice President and Group General Merchandise Manager, Mr. Tod Morehead. If Mr. Morehead's employment had been terminated without cause on the last day of fiscal 2015, the Company would have been obligated to pay out $397,800 to Mr. Morehead under the terms of this agreement.

Mr. Morehead's employment contract is dated August 30, 2012.

In the event that Mr. Morehead is terminated for any reason without cause, he is entitled to: salary continuance equal to 12 months of his base salary; and all benefit programs for the relevant period during which salary is continued except for long term disability and accidental death and dismemberment coverage. In the event that Mr. Morehead accepts alternate full-time employment during the salary continuation period, continuation payments will cease.

Change of Control

Indigo does not have any plans or programs under which payments to any of the NEOs are triggered by a change of control of the Company, a change in the NEO's responsibilities or a constructive termination of the NEO.

The only payments or benefits payable by the Company in the event of termination of employment are those provided under the terms of the Company's existing compensation and benefits program or as provided for in the NEO employment agreements.

The table below outlines the amounts that would be payable to each NEO in the event of termination without cause on the last day of fiscal 2015. In the event of termination with cause on the last day of fiscal 2015, there would be no payments due to the NEOs. In addition to the amounts outlined in the table below, Ms. Carr and Mr. Morehead would be entitled to all benefit programs, except for long term disability and accidental death and dismemberment coverage, for their respective continuance terms as noted above. Ms. Brekken was not employed by the Company on the last day of fiscal 2015.

2015 Potential Payments upon Termination

NEO	Base Salary	Additional Monthly Salary	Annual Bonus Incentive	Total Payout
Heather Reisman	no written employment contract			
Laura Carr	$350,000	n/a	$161,000	$511,000
Scott Formby	$630,000[(1)]	n/a	n/a	$630,000[(1)]
Tod Morehead	$397,800	n/a	n/a	$397,800
Kirsten Chapman	no termination provision in employment contract – any amount payable on termination would be pursuant to common law			

(1) Amount shown is the Canadian equivalent of salary paid in U.S. funds ($500,000 U.S.) using an exchange rate of $1.26 (CAD) = $1.00 (USD).

Pension

The Company does not provide a pension plan to any of its employees.

COMPENSATION OF DIRECTORS

At the annual meeting on August 19, 2003, shareholders' approval was received to create a directors' deferred share unit plan ("DSU Plan"). The DSU Plan provides for directors who are not officers or employees of the Corporation or of Trilogy ("Outside Directors") to receive DSUs as compensation for their services.

The Corporation's DSU Plan is intended to provide Outside Directors with DSUs as compensation for their services. Under the DSU Plan, Outside Directors receive 100% of their directors' compensation (retainer and meeting fees) in the form of DSUs. Each Outside Director is entitled to the number of DSUs equal to the amount of cash compensation the director would otherwise receive divided by the closing price of a Share on the TSX as at the date of the grant. Each DSU vests immediately and entitles the director to receive, after termination of service on the Board of Directors, one Share from treasury.

DSUs can only be redeemed after termination of service on the Board, and DSUs must be redeemed no later than December 31 of the year following the year in which the termination of service occurred. In the event of death, the director's legal representatives are entitled to redeem the DSUs.

DSUs are not paid cash dividends. In the event that a dividend is paid on Shares, each director will be allocated additional DSUs equal to the cash dividend they would otherwise be entitled to receive divided by the closing price of a Share on the TSX as at the dividend payment date. Management believes that the DSU Plan further aligns the interests of the Outside Directors with those of shareholders.

The value of the payout of DSUs is dependent on the value of Shares at the time of the redemption. There is no protection for Outside Directors from the possibility of declining Share prices. By tying the value of the Outside Directors' compensation to the Corporation's Share performance and requiring the directors to hold their DSUs until their Board service comes to an end, the directors' attention will be focused on the long-term performance of the Corporation, which, in turn, aligns their interests with the interests of the shareholders.

As of the date of this circular, DSUs to acquire 358,967 Shares were outstanding, representing approximately 1.41% of the issued and outstanding Shares of the Corporation and approximately 71.79% of the Shares available for issuance under the DSU Plan. As of the date of this circular, 141,033 Shares are available for further grants of DSUs, representing approximately 0.55% of the issued and outstanding Shares of the Corporation. The overall limit of 500,000 Shares reserved for issuance under the DSU Plan represents 1.96% of the issued and outstanding Shares of the Corporation. Subject to the overall limit on the number of Shares reserved for issuance under the DSU Plan and the Stock Option Plan, the maximum number of Shares reserved that may be issued under the DSU Plan and any other security-based compensation arrangement of the Corporation to any one participant is 5% of the then issued and outstanding Shares. The maximum number of Shares that may be issued to any insider and that insider's associates within any 12-month period may not exceed 5% of the then issued and outstanding Shares. The aggregate number of Shares issued to insiders of the Corporation within any 12-month period, or issuable to insiders of the Corporation at any time, under the DSU Plan and any other security based compensation arrangement of the Corporation, may not exceed 10% of the total number of issued and outstanding Shares of the Corporation at such time.

DSUs are non-assignable and non-transferrable.

The DSU Plan is administered by the Board with the assistance of the Corporate Governance Committee. Certain administrative amendments to the DSU Plan may be made by the Board without shareholder approval, subject to regulatory requirements and provided that the number of Shares reserved for issuance cannot be increased without shareholder approval. Such amendments to the DSU Plan that may be made without shareholder approval include, without limiting the generality of the foregoing: (i) amendments for the purpose of curing any ambiguity, error or omission in the DSU Plan or to correct or supplement any provision of the DSU Plan that is inconsistent with any other provision of the DSU Plan; (ii) amendments necessary to comply with the provisions of applicable law (including, without limitation, the rules, regulations and policies of the TSX); (iii) amendments necessary for awards to qualify for favourable treatment under Canadian tax laws; (iv) any amendments to the vesting provisions of the DSU Plan or any unit under such plan; (v) amendments to the termination provisions of the DSU Plan or unit under such plan, whether or not such unit under the DSU Plan is held by an insider, provided such amendment does not entail an extension beyond the original expiry date; and (vi) amendments necessary to suspend or terminate the DSU Plan.

Shareholder approval is required for the following types of amendments: (i) amendments to the number of Shares issuable under the DSU Plan, including an increase to a fixed maximum number of Shares or an increase in the fixed maximum percentage; (ii) any amendment to the DSU Plan that increases the length of the period after a blackout period under the DSU Plan during which units may be exercised; (iii) any amendment expanding the categories of eligible participants under the DSU Plan which would have the potential of broadening or increasing insider participation; (iv) any amendment extending the term of a unit held by an insider beyond its original expiry date except as provided under the DSU Plan; (v) the addition of a restricted share unit or any other provision which results in a participant receiving Shares while no cash consideration is received by the Corporation; and (vi) any amendments required to be approved by shareholders under applicable law (including, without limitation, the rules, regulations and policies of the TSX).

Compensation allocated to Indigo's Outside Directors in fiscal 2015 is based on the following fee schedule:

Fee Description	**($)**
Annual Board Retainer	20,000
Committee Retainer	3,000
Committee Chair Retainer:	
Audit	15,000
Human Resources and Compensation	7,500
Corporate Governance	7,500
Technology Advisor Retainer	7,500
Board Meeting Fees:	
In Person	2,000
By Telephone	1,000
Committee Meeting Fees	2,000
Committee Chair Meeting Fees:	
Audit	3,500
Human Resources and Compensation	3,500
Corporate Governance	3,500

DIRECTOR COMPENSATION TABLE

The following table outlines the dollar value of the compensation awarded to each Outside Director in fiscal 2015, as well as the corresponding number of DSUs earned in fiscal 2015. All compensation received by Indigo directors for Board service is paid through equity-based compensation. No cash compensation is paid to directors. The grant of DSUs earned in fiscal 2015 was approved by the Board on April 22, 2015.

	Share Based Awards	
Director	**Number of Units Earned**	**Total Compensation ($)**
Frank Clegg	4,847	$54,500
Jonathan Deitcher	3,442	$39,000
Mitchell Goldhar	2,304	$26,000
James Hall	6,741	$76,000
Michael Kirby	7,971	$90,000
Anne Marie O'Donovan	4,854	$55,000

Directors' compensation is reviewed by the Corporate Governance Committee, taking into consideration a third party study of board compensation of Canadian companies similar in size to Indigo.

OUTSTANDING SHARE-BASED AWARDS FOR DIRECTORS

The following table shows the total number of DSUs allocated to each Outside Director for their entire tenure as a director up to March 28, 2015, along with the market value of such units as calculated using the closing share price of Indigo's Shares on March 27, 2015, which was $11.60.

	Share-Based Awards	
Director	**Number of DSUs that have not been redeemed[(1)] (#)**	**Market or payout value of DSUs that have not been redeemed ($)**
Frank Clegg	51,326	$ 595,382
Jonathan Deitcher	53,334	$ 618,674
Mitchell Goldhar	22,551	$ 261,592
James Hall	93,810	$1,088,196
Michael Kirby	114,056	$1,323,050
Anne Marie O'Donovan	23,891	$ 277,136

(1) Each DSU vests immediately and represents the right of the director to receive, after termination of Board service, one Share issued from treasury.

SECURITY-BASED COMPENSATION ARRANGEMENTS

The following is the summary of the Corporation's security based compensation arrangements as at March 28, 2015:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights[(1)]	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities which may be issued in connection with outstanding options, warrants and rights)[(2)(3)]
Equity compensation plans approved by security holders	1,920,117 Shares	\$ 9.94 for options \$ 10.24 for DSUs[(4)]	1,904,176 Shares
Equity compensation plans not approved by security holders	nil	n/a	n/a
Total	1,920,117 Shares	\$ 9.94 for options \$ 10.24 for DSUs	1,904,176 Shares

(1) Number of securities to be issued upon exercise of outstanding options, warrants and rights includes 1,561,150 Shares in relation to the Stock Option Plan and 358,967 Shares in relation to the DSU Plan.

(2) Number of securities remaining available for future issuance under equity compensation plans includes 1,763,143 Shares in relation to the Stock Option Plan and 141,033 Shares in relation to the DSU Plan.

(3) The maximum number of Shares reserved for issuance under the Stock Option Plan is 15% of the issued and outstanding Shares of the Corporation less 500,000 Shares, and the maximum number of Shares reserved for issuance under the DSU Plan is 500,000 Shares.

(4) The weighted-average exercise price of outstanding DSUs is calculated by dividing the aggregate grant date value of the issued and outstanding DSUs by the total number of issued and outstanding DSUs. The grant date value of the DSUs is determined by multiplying the Corporation's Share price on the date of the DSU grant by the number of DSUs granted on that date.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVES

Indebtedness of Directors and Executives under Other Programs

No officer, director, employee or former officer, director or employee of the Corporation, or any associates of the foregoing is or was during fiscal 2015 indebted to the Corporation.

Report Presented by:

(Signed) MICHAEL KIRBY

(Signed) JAMES HALL

(Signed) FRANK CLEGG

(Signed) ANNE MARIE O'DONOVAN

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The Board believes that good corporate governance practices are essential to the effective management of the Corporation.

Board Responsibilities and Composition

The Board is responsible for the supervision of the management of the business and affairs of the Corporation, including the approval of its overall direction. Pursuant to its mandate, the Board assesses and approves all major strategic decisions, including any shift in strategic direction, as well as acquisitions and divestitures of a material nature. To assist in discharging its duties, the Board has established three committees of the Board, namely the Audit Committee, the Corporate Governance Committee and the Human Resources and Compensation Committee.

The Board participates fully in assessing and approving strategic plans and prospective decisions proposed by management. To ensure that the principal business risks borne by Indigo are appropriate, the Board receives periodic reports from management outlining its assessment and management of such risks. The Board regularly monitors the Corporation's financial performance. Indigo's internal accounting and control procedures are monitored by the Audit Committee of the Board on behalf of the Board. The Audit Committee reviews detailed financial information contained in management reports and hears and acts upon the recommendations of Indigo's auditors. In respect of senior management succession planning, the Board is involved in identifying internal and external candidates to fill senior management positions at Indigo. The mandate of the Board is attached as Appendix "A" to this circular (the "Mandate").

As a practice, the Board approves significant corporate communications with shareholders.

The Board currently consists of nine members, eight of whom are standing for re-election. Mr. James Hall is not seeking re-election. A new director nominee, Mr. Howard Grosfield, is being proposed for election at the annual meeting of the Corporation.

Indigo endeavours to have a sufficient number of directors with the appropriate balance of skills, experience, expertise, industry knowledge and diversity to effectively carry out the Board's mandate. The Corporate Governance Committee annually assesses whether the Board possesses the appropriate mix of qualifications to function effectively. Directors make recommendations of new individuals to serve on the Board for consideration by the Corporate Governance Committee as they become aware of suitable, available candidates. The Corporate Governance Committee considers those candidates who are highly qualified based on their professional experience, functional expertise, personal skills and qualities.

Director Term Limits

The Corporate Governance Committee annually assesses the composition of the Board, including director tenure. This annual evaluation enables the Corporate Governance Committee to solicit feedback regarding the effectiveness of the Board, whether Board members have the appropriate skills and expertise required, and whether mandatory term limits for directors should be adopted. The Board has not adopted term limits for its directors as it feels that setting a term limit may force certain directors possessing the necessary experience, expertise and industry knowledge to not stand for re-election, depriving the Board of such acquired wisdom and skills.

Representation of Women on the Board

Indigo has not adopted a written policy relating to the identification and nomination of women on the Board. The Corporate Governance Committee reviews and assesses Board composition and oversees the annual review of Board effectiveness. Board candidates are considered based on merit, in the context of skills, qualifications, experience and knowledge required for an effective board, with due regard to the benefits of diversity. The Board recognizes the benefits of diversity among its members, including diversity of experience, viewpoints, gender, etc. A specific target or quota of women on the Board has not been adopted at this time. Currently, two of nine Indigo directors (or 22%) are women.

Representation of Women in Executive Officer Positions

The Corporation has not adopted a specific target or quota of women in executive officer positions. Currently, five of nine executive officers (or 55%) are women. Indigo believes that hiring and retaining executive officers should be primarily based on individual merits, with consideration given to gender diversity. Management feels that gender diversity has always been a significant part of the corporate culture at Indigo, which is one of the few Canadian public companies with a female Chair of the Board and Chief Executive Officer.

Board Directorships

A number of Indigo's directors sit on the boards of other reporting issuers. For each such director, the following table lists the name of the reporting issuer on whose board of directors the director currently serves.

Director	Reporting Issuer
Mitchell Goldhar	Calloway Real Estate Investment Trust (since 2005)
James Hall	Immunovaccine Inc. (since 2010)
Michael Kirby	Just Energy Group Inc. (since 2001) MDC Partners Inc. (since 2004)
Heather Reisman	Onex Corporation (since 2003)
Gerald Schwartz	Bank of Nova Scotia (Honorary Director) (since 2007) Celestica Inc. (since 1998) Onex Corporation (since 1987)

Board Independence

As stipulated in its Mandate, the Board is comprised of a majority of "independent directors" as defined by National Instrument 52-110 – Audit Committees ("NI 52-110"). Of its members, Ms. O'Donovan, and Messrs. Clegg, Deitcher, Goldhar, Hall, and Kirby are considered by the Board to be "independent directors". Three members of the Board are non-independent within the meaning of the NI 52-110, namely Ms. Reisman being a member of management, Mr. Schwartz being Ms. Reisman's spouse, and Mr. Silver being a former Indigo employee who is currently the President of Trilogy Growth, a partnership with Trilogy, the majority shareholder of Indigo.

The Board believes that five of the eight directors standing for re-election are independent directors who are free from any interests in or relationships with the significant shareholder or any of its affiliates. The proposed director nominee, Mr. Grosfield, if elected, would also be considered an independent director. The Board believes that these independent directors as members of the Board, including an independent lead director, fairly reflects the investment in Indigo by minority shareholders.

Indigo is controlled by Trilogy which, directly or indirectly, holds approximately 51.1% of the Corporation's outstanding Shares and is a "significant security holder" within the meaning of National Instrument 58-101 – *Disclosure of Corporate Governance Practices*. Mr. Schwartz controls Trilogy.

Ms. Reisman is Chair of the Board and Chief Executive Officer of Indigo. In the view of the Board, the fact that Ms. Reisman occupies both offices does not impair the ability of the Board to act independently of management. The Board has reached this conclusion for the following reasons:

- six of the Corporation's nine directors are independent;
- the Audit Committee is comprised solely of independent directors and meets on a regular basis;
- all of the Board's Committees are comprised solely of independent directors; and
- the Board has appointed Mr. Michael Kirby, an independent director, as Indigo's lead director ("Lead Director"), responsible for ensuring that the Board functions independently of management.

The Board has also adopted the following governance practices:

- at each regular meeting, the Board shall routinely meet with Ms. Reisman and the Corporation's Executive Vice President and Chief Financial Officer without the presence of other members of management to consider any matter not easily or appropriately discussed in the larger forum. The topics discussed may include the effectiveness of the Board meeting, the performance of any individual member of management or the Board, the performance of the Board itself, or any matter of concern to any director;
- the Board, at each meeting other than unscheduled meetings called for the sole purpose of approving specific transactions, shall have a session in the absence of Ms. Reisman, or any other member of management;
- the performance of Ms. Reisman will be considered in the absence of Ms. Reisman and Mr. Schwartz at least once a year when her compensation is settled; and
- any member of the Board may provide the Lead Director with agenda items for discussion at any meeting and the Lead Director has the right to place such items on the Board's agenda in his discretion.

Meetings of exclusively independent directors may be held if such a meeting is deemed necessary to allow for open and candid discussion among the independent directors. It is the general practice for the full Board to meet without management, but with the Chief Executive Officer present, following all regularly scheduled in-person Board meetings. Four such Board meetings were held in fiscal 2015.

All Committees of the Board are comprised solely of independent directors. In fiscal 2015, there were a total of 12 meetings of independent directors meeting in their capacity as Audit, Human Resources and Compensation, and Corporate Governance Committee members. The Committee members meet *in camera,* without the presence of management at the conclusion of each Committee meeting. The Board feels that such regularly scheduled Committee meetings allow for candid discussion among independent directors.

A formal position description for the office of the Chair and Chief Executive Officer has been developed and approved by the Board. The Board has also approved formal corporate objectives which the Chief Executive Officer is responsible for achieving. The Board, the Human Resources and Compensation Committee and the Chief Executive Officer engage in regular ongoing dialogue regarding the performance of the senior management team in achieving Indigo's strategic objectives as recommended by management and approved by the Board.

Board Committees

The Board has three standing Committees, namely the Audit Committee, the Human Resources and Compensation Committee and the Corporate Governance Committee. Each committee has a formal mandate outlining its responsibilities and its obligations to report its recommendations and decisions to the Board, as well as a written position description of each committee chair.

The Audit Committee is comprised of four Outside Directors, all of whom are independent. The Audit Committee is responsible for the oversight of Indigo's internal accounting and control systems. It reviews the financial statements, annual and special meeting materials and other public disclosure documents of Indigo and makes recommendations to the Board before such statements, materials and documents are approved by the Board. The Audit Committee communicates directly with Indigo's auditors in order to discuss audit and related matters whenever appropriate.

The Human Resources and Compensation Committee is comprised of four Outside Directors, all of whom are independent. The Human Resources and Compensation Committee has been entrusted by the Board with the responsibility of reviewing and making recommendations to the Board regarding compensation policies and practices. Specifically, the Human Resources and Compensation Committee's charter provides that the Committee shall, among other things: obtain appropriate information about compensation policies and payments by Canadian companies, and as deemed relevant, U.S.-based companies, of a comparable size to Indigo; establish objectives, evaluate performance, recommend compensation, and develop a process for succession planning; recommend overall compensation philosophy and quantum and design of all compensation arrangements, review and approve appointments, promotions, terminations of executive management; and recommend payouts under short- and long-term incentive plans subject to Board approval. The Board has delegated the approval of group stock option grants to the Human Resources and Compensation Committee. The composition, expertise, and role of the Human Resources and Compensation Committee is described in detail in the Compensation Discussion and Analysis above.

The Corporate Governance Committee is comprised of four Outside Directors, all of whom are independent. It is responsible for assisting the Board in its oversight of Indigo's corporate governance practices and making recommendations with respect to Board and Committee membership. The Committee annually reviews Board committee memberships and chair appointments, recommending such appointments to the Board, with consideration for each director's competencies and the time commitment involved. The Committee performs an annual assessment of the Board, its Committees and its members through the use of an annual questionnaire of Board members on corporate governance matters and the effectiveness of the Board. Annual reviews of the Mandate, Committee charters and position descriptions are also performed by the Committee. The Corporate Governance Committee is responsible for establishing qualifications for new directors, and evaluating proposed directors against this criteria. Director candidates are selected and recommended by the Corporate Governance Committee based on the candidate's availability, expertise, experience, competencies and skills as required by the Board. The Committee is also responsible for the oversight of new director orientation and continuing education for all Board members. New Board members are provided with an information package of all relevant governance material and continuing education for Board members is provided with informative material being sent to the Board in advance of Board meetings and regular business update presentations from key business units. These educational sessions, which coincide with regular Board meetings, cover one or more aspects of the business, and typically follow an informal presentation and open discussion format.

All Committees have the authority to engage, or to request that management engage, outside advisors at the Corporation's expense. The Board would also consider any such request by an individual member of the Board on its merits at the time it was made.

Ethical Business Conduct

The Corporation's code of conduct (the "Code") reflects its high standards in ethical business conduct and is applicable to all directors and employees of Indigo. The Corporation has also adopted a whistleblower policy pursuant to which directors, officers and employees are encouraged to report violations of the Code. Employee hotlines have also been established to enable employees to seek support and to report violations of the Code. The Corporation provides annual training with respect to ethical and compliance issues and ensures that each director and employee annually reviews and acknowledges, in writing, their understanding and acceptance of the Code. The Board has concluded that such measures are appropriate and sufficient to ensure compliance with the Code. A copy of the Code can be obtained on SEDAR at www.sedar.com.

The Board encourages and expects directors to disclose any perceived conflicts and to abstain from voting on any such matters.

Shareholder Communications

Indigo endeavours to keep all shareholders well informed as to its financial performance, primarily by means of its annual and quarterly reports.

Upon request, Indigo will provide you with a copy of: (i) its current Annual Information Form; (ii) the comparative financial statements for its most recently completed financial year together with the accompanying auditors' report and related management's discussion and analysis ("MD&A"); and (iii) its interim financial statements and related MD&A for any subsequent fiscal periods, provided that Indigo may require payment of a reasonable charge if the request is made by a person who is not an Indigo shareholder.

With the approval of the Board, management has appointed Ms. Heather Reisman, Indigo's Chief Executive Officer, as the individual responsible for receiving shareholder inquiries and dealing with shareholder concerns. While being guided by regulatory requirements and Indigo's policies with respect to confidentiality and disclosure, Ms. Reisman is available for interviews by stakeholders, including analysts, the media, and investors. Ms. Reisman endeavours to respond promptly and appropriately to all such requests and/or inquiries.

AUDIT COMMITTEE INFORMATION

Information regarding the Board's Audit Committee may be found in the section entitled "Audit Committee" in the Corporation's Annual Information Form for the financial year ended March 28, 2015. A copy of the Annual Information Form can be obtained by contacting Indigo at 468 King Street West, Suite 500, Toronto, Ontario, Canada, M5V 1L8 and is also available on SEDAR at www.sedar.com.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Indigo purchases and maintains liability insurance for the benefit of the directors and officers to cover liability incurred by such persons in such capacities. The policy provided for coverage in the amount of $20,000,000 with deductible amounts ranging from $0 to $50,000 for the year ended March 28, 2015, and $0 to $50,000 for the year ended March 29, 2014. For the year ended March 28, 2015, the premium cost of this insurance was $68,000.

ADDITIONAL INFORMATION

Financial information for the financial year ended March 28, 2015, is provided in the Corporation's comparative financial statements and MD&A which are included in the Annual Report. Shareholders who wish to request a copy of, or to be added to the mailing list for, the annual and interim financial statements and MD&A should contact Indigo at 468 King Street West, Suite 500, Toronto, Ontario, Canada, M5V 1L8.

Copies of the Corporation's current Annual Information Form, together with one copy of any document, or the pertinent pages of any document incorporated by reference in the current Annual Information Form; the most recently filed comparative annual financial statements, together with the accompanying report of the auditor, and any of the Corporation's interim financial statements that have been filed for any period after the end of its most recently completed financial year; and this circular are available to anyone, upon request, from the Secretary of the Corporation, and without charge to Indigo shareholders.

The Annual Report (including the financial statements and MD&A), the current Annual Information Form, and other information relating to the Corporation are available on SEDAR at www.sedar.com.

DIRECTORS' APPROVAL

The contents of this circular and its sending to Indigo's shareholders have been approved by the directors of the Corporation.

By Order of the Board of Directors

Laura Carr
Executive Vice President and
Chief Financial Officer

Toronto, Canada
May 26, 2015

Appendix "A"

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

MANDATE OF THE BOARD OF DIRECTORS
(as at February 3, 2015)

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, the Human Resources and Compensation Committee, and the Corporate Governance Committee. The Board may also appoint other committees from time to time.

3. BOARD ORGANIZATION

(a) Qualifications

In conjunction with the Corporate Governance 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 Corporate Governance 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 Corporate Governance 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 the financial 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 By-laws, 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 Human Resources and Compensation Committee's position description for the CEO, which will delineate management's responsibilities and the corporate goals and objectives that the CEO is responsible for meeting;

- assess the performance of the CEO through a process led by the Human Resources and Compensation 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 determined by the Human Resources and Compensation Committee, through a process described in its charter.

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 approve their compensation, based on, among other things, level of responsibility and the pay practices of comparable organizations, as recommended by the Human Resources and Compensation Committee;

- monitor the performance of executive management (senior 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;

- oversee the Corporation's compensation programs for senior management;

- approve payouts under executive management bonus incentive plans and grants under equity based compensation plans; approval of group stock option grants is delegated to the Human Resources and Compensation Committee; and

- establish a process to adequately provide for CEO and executive management succession.

(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 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 and 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 Corporate Governance 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.

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.

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