Indigo Books & Music Inc.
Management Information Circular

Dated May 30, 2017

SOLICITATION OF PROXIES

The information contained in this Management Information Circular (the "Circular") is furnished in connection with the solicitation of proxies from registered owners of common shares (the "Shares") of Indigo Books & Music Inc. (the "Company", "Corporation" or "Indigo") (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 17th day of July, 2017, 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 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 30, 2017, except where otherwise noted.

NOTICE AND ACCESS

The Corporation is using the "notice and access" process as permitted by Canadian securities regulators for the delivery of the Circular to its shareholders. Under notice and access, shareholders will still receive a proxy or voting instruction form enabling them to vote at the meeting. However, instead of a paper copy of the Circular, shareholders will receive the Notice of Meeting which contains information on how to access the Circular electronically. Using the notice and access process for delivery of this material gives shareholders more choice and reduces the cost of printing and distributing shareholder material, in addition to being more environmentally friendly. Shareholders who have already signed up for electronic delivery of shareholder material continue to receive material via email. Non-registered shareholders with existing instructions on their account to receive paper material ("standing instructions"), as well as those investors who hold shares through a US Intermediary will receive a paper copy of the Circular.

Electronic copies of shareholder materials including the Circular can be viewed and downloaded at **www.meetingdocuments.com/cst/idg** or under the Indigo Books & Music Inc. profile at **www.sedar.com**.

All shareholders may request that paper copies of the Circular be sent at no cost to them by regular postal delivery for up to one year from the date the material was filed on SEDAR. Requests for paper copies to be delivered prior to the meeting must be received not later than July 5, 2017 to ensure timely receipt.

If you would like to receive a printed copy of the Circular, please call 1-888-433-6443 (toll free in Canada and US) or email your request to: **fulfillment@canstockta.ca**.

VOTING INSTRUCTIONS

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 Hugues Simard, Executive

Vice President and Chief Financial Officer of the Corporation, effective June 1, 2017. 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 10:00 am (Toronto Time) on July 13, 2017, 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 Circular and the 2017 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. All non-registered owners with standing instructions to receive paper copies and those who hold shares through a US Intermediary will receive copies of all meeting materials; all other non-registered shareholders will receive notice and access packages. See “Notice and Access” section on page 3.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 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 30, 2017, there were 26,352,484 Shares issued and outstanding. The record date established for notice of the meeting is May 29, 2017. Each holder of Shares of record at the close of business on May 29, 2017 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 Investments L.P.(1)	7,740,235 common shares	29.37%
Trilogy Retail Enterprises L.P.(1)	5,287,932 common shares	20.07%
Franklin Resources, Inc.(2)	3,299,478 common shares	12.52%

(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 58.12% 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 15, 2017, Franklin Resources, Inc. holds a total of 3,299,478 Shares.

ELECTION OF DIRECTORS

The number of directors to be elected to the board of directors of the Corporation (the “Board”) at the meeting is ten. One current director, Mr. Joel Silver, will not be standing for re-election at the meeting. 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. All of the nominees are currently directors and have been directors since the dates indicated below. 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. Each Director standing for election at the Corporation’s last annual meeting received over 99% of votes “for” election to the Board.

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 Shares and Deferred Share Units “(DSUs”)), public board memberships, current Committee memberships and meeting attendance:

<table>
<tr><td rowspan="4">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 appointed a Member of the Order of Canada in 2012 and 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><td rowspan="4">FRANK CLEGG, Director
Ontario, Canada
Director Since: 2005
Independent
59,844 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>6 of 6 (100%)</td><td>Audit: 4 of 4 (100%)
HR and Compensation: 2 of 2 (100%)</td></tr>
<tr><td colspan="2">Public Board Memberships
N/A</td></tr>
</table>

<table>
<tr><td rowspan="5">JONATHAN DEITCHER, Director
Quebec, Canada
Director Since: 2001
Independent
58,858 DSUs
60,000 Common Shares</td><td colspan="2">Jonathan Deitcher is an Investment Advisor at RBC Dominion Securities Inc. ("RBC DS"), where he has been employed since 1974. Mr. Deitcher served as a member of the Board of Directors of RBC DS from November 2000 to September 2003. He has been a Vice President at RBC DS 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: 1 of 1 (100%)
HR, Compensation and Governance: 3 of 3 (100%)</td></tr>
<tr><td colspan="2">Public Board Memberships
N/A</td></tr>
<tr></tr>
<tr><td rowspan="4">MITCHELL GOLDHAR, Director
Ontario, Canada
Director Since: 2001
Independent
26,648 DSUs</td><td colspan="2">Mitchell Goldhar is the Chairman of the Board of SmartREIT and the President and Chief Executive Officer of Penguin Investments Inc., a commercial real estate development company. Mr. Goldhar is the founder of SmartCentres, which developed over 250 shopping centres across Canada in the past 22 years. In 2015, Mr. Goldhar vended SmartCentres into SmartREIT, one of Canada's largest real estate investment trusts with an asset base of approximately $8.7 billion. Mr. Goldhar holds a BA in Political Science from York University and for 12 years has been an adjunct professor with the Joseph L. Rotman School of Management, University of Toronto. Mr. Goldhar is also a Director Emeritus with the SickKids Foundation, is on the Advisory Board for the Canadian Sports Concussion Project, and is owner of the Maccabi Tel Aviv Football Club.</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
SmartREIT (formerly Calloway Real Estate Investment Trust) (since 2005)
Onex Corporation (since 2017)</td></tr>
<tr><td rowspan="4">HOWARD GROSFIELD, Director
New York, USA
Director Since: 2015
Independent
3,741 DSUs</td><td colspan="2">Howard Grosfield is currently the Executive Vice President, US Consumer Marketing Services at American Express in New York. Prior to this role, Mr. Grosfield served as President and Chief Executive Officer of American Express Bank of Canada and President and General Manager of American Express Canada Inc. from May 2010 to February 2016. Prior to that, he was 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>Board Meetings Attended</td><td>Committee Membership and Meetings Attended</td></tr>
<tr><td>5 of 6 (83%)</td><td>HR, Compensation and Governance: 2 of 3 (67%)</td></tr>
<tr><td colspan="2">Public Board Memberships
N/A</td></tr>
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<tr><td rowspan="4">ROBERT HAFT, Director
Washington, DC, USA
Director Since: 2015
Independent
3,598 DSUs

Chair of HR, Compensation and Governance Committee</td><td colspan="2">Robert Haft is the Managing Partner of Morgan Noble Healthcare Partners (an investment firm specializing in healthcare), with over 20 years of experience as an investor and CEO. Throughout his career, Mr. Haft has opened and managed more than 800 retail stores including drug stores, vitamin stores, book stores, automotive parts stores and supermarkets. Mr. Haft was the founder and CEO of Vitamins.com. He served as Chairman and CEO of Phar-Mor Drugs, a $1.5 billion drug retail chain that he led out of bankruptcy to profitability and a successful sale, and CEO of Dart Group, a $1 billion healthcare company. Mr. Haft currently serves on the boards of Continuum Health, Captify Health, Carestream Health, Trusted Health, National Investment Group and Imagine Charter Schools. Mr. Haft holds an MBA and Masters Degree in Design from Harvard, and a Bachelor of Science from the Wharton School, where he served on the Undergraduate Board of Trustees.</td></tr>
<tr><td>Board Meetings Attended</td><td>Committee Membership and Meetings Attended</td></tr>
<tr><td>5 of 6 (83%)</td><td>HR, Compensation and Governance: 3 of 3 (100%)</td></tr>
<tr><td colspan="2">Public Board Memberships
N/A</td></tr>
<tr><td rowspan="4">ANDREA JOHNSON, Director
California, USA

Director Since: 2016

Non-Independent

832 DSUs
4,425 Common Shares</td><td colspan="2">Andrea Johnson is a principal of Envelo Properties Corp. (residential and commercial real estate development) since October 2016. Ms. Johnson was co-founder and CEO of ThisLife (2009-2013), a complete cloud solution for protecting, organizing, and sharing photos and videos. ThisLife was acquired by Shutterfly in 2013 and is now one of the largest photo platforms in North America. Ms. Johnson served as Director of E-Commerce for Pottery Barn from 2002 to 2004. Prior to Pottery Barn, she was co-founder and CEO of Petopia.com (1998-2000), the first e-commerce company to partner with a traditional retailer to leverage purchasing power, warehousing, and customer loyalty programs. Petopia pioneered subscription-based consumer sales for e-tailers, and now operates as Petco.com. Prior to founding Petopia, Ms. Johnson served as Director of Business Development for MovieFone from 1997 to 1998. She has been featured and quoted in a number of publications including Forbes, Fortune, Business Week, Business 2.0, USA Today, PC World, TechCrunch, and All Things D. Ms. Johnson holds a BA from Dartmouth College and an MBA from Harvard Business School. Ms. Johnson is the daughter of Ms. Reisman, the Chair and Chief Executive Officer of the Corporation.</td></tr>
<tr><td>Board Meetings Attended</td><td>Committee Membership and Meetings Attended</td></tr>
<tr><td>2 of 2 (100%)</td><td>N/A</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
126,011 DSUs

Lead Director
Chair of Audit 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.</td></tr>
<tr><td>Board Meetings Attended</td><td>Committee Membership and Meetings Attended</td></tr>
<tr><td>5 of 6 (83%)</td><td>Audit: 3 of 4 (75%)
HR and Compensation: 2 of 2 (100%)
Corporate Governance: 1 of 1 (100%)
HR, Compensation and Governance: 2 of 3 (67%)</td></tr>
<tr><td colspan="2">Public Board Memberships
N/A</td></tr>
</table>

<table>
<tr><td rowspan="3">ANNE MARIE O’DONOVAN, Director
Ontario, Canada
Director Since: 2009
Independent
33,644 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 Ivey School of Business at the University of Western Ontario and is a Fellow of the Institute of Chartered Accountants of Ontario. Ms. O’Donovan is the Chair of the Audit Committees of MDC Partners Inc., Cadillac Fairview and Aviva Canada Inc., respectively</td></tr>
<tr><td>Board Meetings Attended
5 of 6 (83%)</td><td>Committee Membership and Meetings Attended
Audit: 4 of 4 (100%)
HR and Compensation: 2 of 2 (100%)
Corporate Governance: 1 of 1 (100%)</td></tr>
<tr><td colspan="2">Public Board Memberships
MDC Partners Inc. (since 2016)</td></tr>
<tr><td rowspan="3">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 49.4% 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 or 57.7% of outstanding Shares. Ms. Reisman, who owns directly or indirectly, 98,391 common shares, is Mr. Schwartz’s spouse.</td></tr>
<tr><td>Board Meetings Attended
6 of 6 (100%)</td><td>Committee Membership and Meetings Attended
N/A</td></tr>
<tr><td colspan="2">Public Board Memberships
The Bank of Nova Scotia (Honorary Director) (since 2007)
Onex Corporation (since 1987)</td></tr>
</table>

BOARD AND COMMITTEE MEETING ATTENDANCE IN FISCAL 2017

Director	Board	Audit Committee	Human Resources, Compensation and Governance Committee*	Human Resources and Compensation Committee	Corporate Governance Committee	Totals
Heather Reisman	6 of 6 (100%)	n/a	n/a	n/a	n/a	6 of 6 (100%)
Frank Clegg	6 of 6 (100%)	4 of 4 (100%)	n/a	2 of 2 (100%)	n/a	12 of 12 (100%)
Jonathan Deitcher	6 of 6 (100%)	n/a	3 of 3 (100%)	n/a	1 of 1 (100%)	10 of 10 (100%)
Mitchell Goldhar	6 of 6 (100%)	n/a	n/a	n/a	n/a	6 of 6 (100%)
Howard Grosfield	5 of 6 (83%)	n/a	2 of 3 (67%)	n/a	n/a	7 of 9 (78%)
Robert Haft	5 of 6 (83%)	n/a	3 of 3 (100%)	n/a	n/a	8 of 9 (89%)
Andrea Johnson**	2 of 2 (100%)	n/a	n/a	n/a	n/a	2 of 2 (100%)
Michael Kirby	5 of 6 (83%)	3 of 4 (75%)	2 of 3 (67%)	2 of 2 (100%)	1 of 1 (100%)	13 of 16 (81%)
Anne Marie O'Donovan	5 of 6 (83%)	4 of 4 (100%)	n/a	2 of 2 (100%)	1 of 1 (100%)	12 of 13 (92%)
Gerald Schwartz	6 of 6 (100%)	n/a	n/a	n/a	n/a	6 of 6 (100%)
Joel Silver	6 of 6 (100%)	n/a	n/a	n/a	n/a	6 of 6 (100%)

* The Human Resources and Compensation Committee and the Corporate Governance Committee merged effective July 6, 2016 to form the Human Resources, Compensation and Governance Committee.

** Andrea Johnson became a Board member on November 8, 2016.

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.

External Auditor Service Fees

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

Type of Fee	**2017**	**2016**
Audit Fees	$330,000	$341,595
Audit-Related Fees	$56,500	$56,500
Tax Fees	-	$6,300
All Other Fees	$3,200	$3,200
Total	$389,700	$407,595

The foregoing fees and expenses relate to services rendered from April through March of the fiscal year, notwithstanding when the fees and expenses were billed.

In both 2017 and 2016, audit-related fees were incurred for translation services, discussion of quarterly information, and accounting consultations on International Financial Reporting Standards. For the prior period, tax fees incurred were related to tax compliance and tax planning/consulting services, while all other fees related to tax research costs in both 2017 and 2016.

COMPENSATION DISCUSSION AND ANALYSIS

Indigo believes that great companies are built through the efforts of talented, engaged 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 customers and shareholders.

Risk Management and Executive Compensation

The Human Resources, Compensation and Governance 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, Compensation and Governance 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. All Executives participate in the same incentive programs and no business unit Executive is incented substantially different from another.

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 Human Resources, Compensation and Governance Committee, 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, Compensation and Governance 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.

[1] "Executive(s)", and "Executive Management", mean, for the purposes of this compensation discussion and analysis: the Chair and Chief Executive Officer; Former Executive Vice President and Chief Financial Officer; Interim Chief Financial Officer, Executive Vice President, E-Commerce and Chief Marketing Officer; Executive Vice President, Retail and Human Resources; Executive Vice President, Real Estate, General Counsel and Corporate Secretary; Executive Vice President and Group Merchandise Manager; Executive Vice President, Print and Chief Strategy Officer; Executive Vice President and Chief Technology Officer; and Chief Creative Officer.

Named Executive Officers

The following table lists the Named Executive Officers (the "NEOs") for Indigo during the most recent fiscal year. Laura Carr, Executive Vice President and Chief Financial Officer resigned from the Company, effective February 9, 2017. On the same date, R. Craig Loudon, who was previously serving as Senior Vice President, Business Finance, was named Interim Chief Financial Officer.

NEO	Title
Heather Reisman	Chair and Chief Executive Officer
Laura Carr	Former Executive Vice President and Chief Financial Officer
R. Craig Loudon	Interim Chief Financial Officer
Scott Formby	Chief Creative Officer
Gildave Dennis	Executive Vice President, Retail and Human Resources
Kirsten Chapman	Executive Vice President, E-Commerce and Chief Marketing 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 Incentive Plan
3. Super Bonus Plan
4. Stock Option Plan
5. 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.

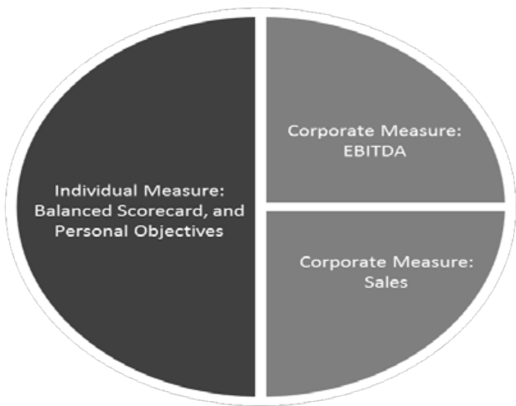
2. Annual Incentive Plan

The Annual Incentive Plan ("AIP") is a short-term incentive designed to reward employees for achieving corporate goals and individual performance within a fiscal year. The following table lists, for each of the NEOs, the annual incentive target as a percentage of base salary.

NEO	AIP Target as a percentage of base salary
Heather Reisman	40%
Laura Carr	40%
R. Craig Loudon	30%
Scott Formby	50%
Gildave Dennis	40%
Kirsten Chapman	40%

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 AIP for fiscal 2017.

Annual Incentive Plan Measures



i) Corporate Performance Portion of the Annual Incentive Plan

For fiscal 2017, the corporate performance portion of the AIP was based on two equally weighted measures: (1) earnings before interest, taxes, depreciation and amortization ("EBITDA"); and (2) sales achievement. The Board determined that these two measures provided an optimal balance between productivity and growth.

Payout of the corporate EBITDA portion of the AIP is subject to the achievement of at least 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, any payout under the corporate EBITDA portion of the AIP requires the approval of the Human Resources, Compensation and Governance Committee.

The following table outlines how payment of the corporate EBITDA portion of the AIP is linked to achievement of performance targets:

Actual EBITDA Achieved	Portion of Target EBITDA Bonus Paid
Less than 95% of Budgeted EBITDA	As approved by the Human Resources, Compensation and Governance Committee
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 AIP is the maximum amount payable for this portion of the AIP.

Payout of the corporate sales portion of the AIP is subject to the achievement of at least 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, any payout under the corporate sales portion of the AIP requires the approval of the Human Resources, Compensation and Governance Committee.

The following table outlines how payment of the corporate sales portion of the AIP is linked to achievement of performance targets:

Actual Sales Achieved	Portion of Target Sales Bonus Paid
Less than 98% of Budgeted Sales	As approved by the Human Resources, Compensation and Governance Committee
98% of Budgeted Sales	70%
100% of Budgeted Sales	100%
102% of Budgeted Sales	110%
104% of Budgeted Sales	130%
108% of Budgeted Sales	150%
110% of Budgeted Sales and above	200%

A bonus payout of 200% of the corporate sales portion of the AIP is the maximum amount payable for this portion of the AIP.

ii) Individual Portion of the Annual Incentive Plan

Payout under the individual performance portion of the AIP accounts for 50% of the total potential bonus payout. For fiscal 2017, the individual portion of the AIP was based on the Chief Executive Officer's assessment of each Executive's performance relative to their Balanced Scorecard (as described below) and personal objectives. The assessment of an Executive's performance is ultimately within the discretion of the Chief Executive Officer and informed by reference to corporate goals within an Executive's scope of responsibilities. The Chief Executive Officer's performance is assessed by the Human Resources, Compensation and Governance 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 AIP 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.

iii) Discretionary Bonuses

From time to time, discretionary bonuses may be provided to NEOs for the purposes of recognizing exceptional performance, special achievements, unexpected events and retention. Any discretionary bonus for the Chief Executive Officer is recommended by the Human Resources, Compensation and Governance Committee and by the Chief Executive Officer for all other Executives. The Human Resources, Compensation and Governance Committee believes its ability to exercise discretion is important to ensure that the total compensation reflects the overall performance and contribution of the Executives.

iv) Actual Payouts under the Annual Incentive Plan

In fiscal 2017, the Company did not achieve the minimum EBITDA and sales threshold set out in the AIP to trigger a payout under the Corporate portion of the AIP. The Human Resources, Compensation and Governance Committee considered the Company's actual fiscal 2017 results, including the record high levels of sales, customer engagement (net promoter score), employee engagement and other factors related to plan shortfall. Given the significant growth and overall performance, the Human Resources, Compensation and Governance Committee approved a payout of the Corporate portion of the AIP at 100% of target to recognize the accomplishments of the NEOs and their respective teams. Each NEO received 100% of his or her respective individual portion, as well as an additional discretionary amount based on their individual contributions to fiscal 2017 results. The table below outlines the payouts for each portion of each NEO's AIP for fiscal 2017:

	Corporate Performance		**Individual Performance**		
NEO	**% of Corporate portion paid for Fiscal 2017**	**Actual Payout under the Corporate portion for Fiscal 2017**	**% of Individual portion paid for Fiscal 2017**	**Actual Payout under the Individual portion for Fiscal 2017**	**Discretionary Payout for Fiscal 2017**
Heather Reisman	100%	$141,667	100%	$141,667	$216,667
Laura Carr	nil	nil	nil	nil	nil
R. Craig Loudon	100%	$43,313	100%	$43,313	$75,000
Scott Formby(1)	100%	$170,948	100%	$170,948	$132,990
Gildave Dennis	100%	$82,000	100%	$82,000	$225,000
Kirsten Chapman	100%	$95,833	100%	$95,833	$225,000

(1) Amount shown is the Canadian equivalent of the U.S. funds paid, using an exchange rate on the fiscal close date of March 31, 2017 of $1.3299 (CAD) = $1.00 (USD).

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, including its NEOs, 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 and is paid out over the subsequent two years. The Human Resources, Compensation and Governance Committee approves the final payout schedule once actual payments under the Super Bonus Plan are determined.

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, Compensation and Governance Committee. Allocations are based on individual participant performance and potential.

For the fiscal year ending April 1, 2017, the minimum threshold of $61.8M EBITDA required for a Super Bonus payout was not achieved, therefore there were no payouts earned under the Super Bonus Plan.

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 Corporation'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 performance that increases the value of the Corporation and growth of the price of Indigo's Shares over the long term.

The Stock Option Plan is also intended to benefit the Corporation by aligning the optionees' interests with those of its shareholders. It enables the Corporation 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 the value of the Shares resulting from their efforts and thereby contribute to the Corporation's success.

The Corporation may grant options to purchase Shares to its executive 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 Corporation within any 12-month period, or issuable to insiders of the Corporation at any time, under the Stock Option 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.

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 a result, the Stock Option Plan is considered an evergreen plan pursuant to the rules of the Toronto Stock Exchange ("TSX"). The TSX requires that the approval of all unallocated options under the Stock Option Plan be sought by the Corporation every three years from a majority of the votes cast by shareholders. Unallocated options were approved by the shareholders of the Corporation at the Corporation's annual and special meeting held on July 6, 2016.

As of the date of the Circular, (i) the overall limit on the number of Shares reserved for issuance under the Stock Option Plan is 3,452,873 Shares or 15% of the issued and outstanding Shares from time to time less 500,000 Shares reserved for issuance under the Directors' Deferred Stock Unit Plan; (ii) options to purchase 1,648,825 Shares were outstanding, representing approximately 6.26% of the issued and outstanding Shares and approximately 47.75% of the Shares reserved for issuance under the Stock Option Plan; and (iii) a further 1,804,048 Shares were available for further option grants, representing approximately 6.85% of the issued and outstanding Shares, resulting in the Stock Option Plan currently having 1,804,048 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 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 Human Resources, Compensation and Governance Committee) 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 Human Resources, Compensation and Governance Committee 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 Corporation'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. If an option would expire during a blackout period, the term of such option shall automatically be extended until ten days after the end of the blackout period.

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 Corporation.

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 granting of stock options is 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 and if accepted, approved by the Human Resources, Compensation and Governance Committee, which has the authority, delegated by the Board to approve all stock option grants. Grant decisions for vice president level employees are based on the recommendations of the Executive team and a review of each employee's performance and contribution. The vice president level grants are also reviewed and approved by the Human Resources, Compensation and Governance Committee. 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 April 1, 2017, there was one group stock option grant which included a grant of stock options to NEOs.

On August 16, 2016, a group grant of stock options to Executives and senior-level employees was approved by the Human Resources, Compensation and Governance Committee, with authority previously delegated by the Board. The effective date for these stock option grants was set at August 16, 2016. Accordingly, a grant of stock options was made to each of the NEOs, except for Heather Reisman as she chose not to participate in the grant. Of the total number of stock options granted in fiscal 2017, 27.4% of the options granted were awarded to NEOs.

The stock options received by each NEO in fiscal 2017 are outlined in the table below:

NEO	Number of Options Granted
Heather Reisman	nil
Laura Carr	40,000
R. Craig Loudon	10,000
Scott Formby	40,000
Gildave Dennis	50,000
Kirsten Chapman	40,000

For all outstanding stock options held by NEOs, see *"Outstanding Option-Based Awards"* on page 24 of this Circular.

5. *Other Benefits*

Retirement Savings Program

The Company's Retirement Savings Program is open to all eligible employees, including Executives. The program is made up of two plans whereby employee contributions to the Company's Group Registered Retirement Savings Plan ("RRSP") are then matched by the Company, which contributes the matched amount to the Company's Deferred Profit Sharing Plan ("DPSP"), up to a maximum of 3% of base salary per fiscal year for eligible employees who participate in the program.

The amounts paid to NEOs in fiscal 2017 are noted in the following table:

NEO	DPSP Matching Contributions by NEO in fiscal 2017 pursuant to the Company's Retirement Savings Program
Heather Reisman	nil
Laura Carr	$9,188
R. Craig Loudon	$8,334
Scott Formby	nil
Gildave Dennis	nil
Kirsten Chapman	$12,000

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 $30/month for single coverage or $60/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 Interim Chief Financial Officer, receives a monthly taxable car allowance of $1,100. The Interim Chief Financial Officer receives a monthly car allowance of $700 and the Chief Creative Officer does not receive an allowance.

Summary

Indigo believes that the components of the executive compensation program (Base Salary, AIP, Super Bonus Plan, Stock Option Plan 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 customer and shareholder value.

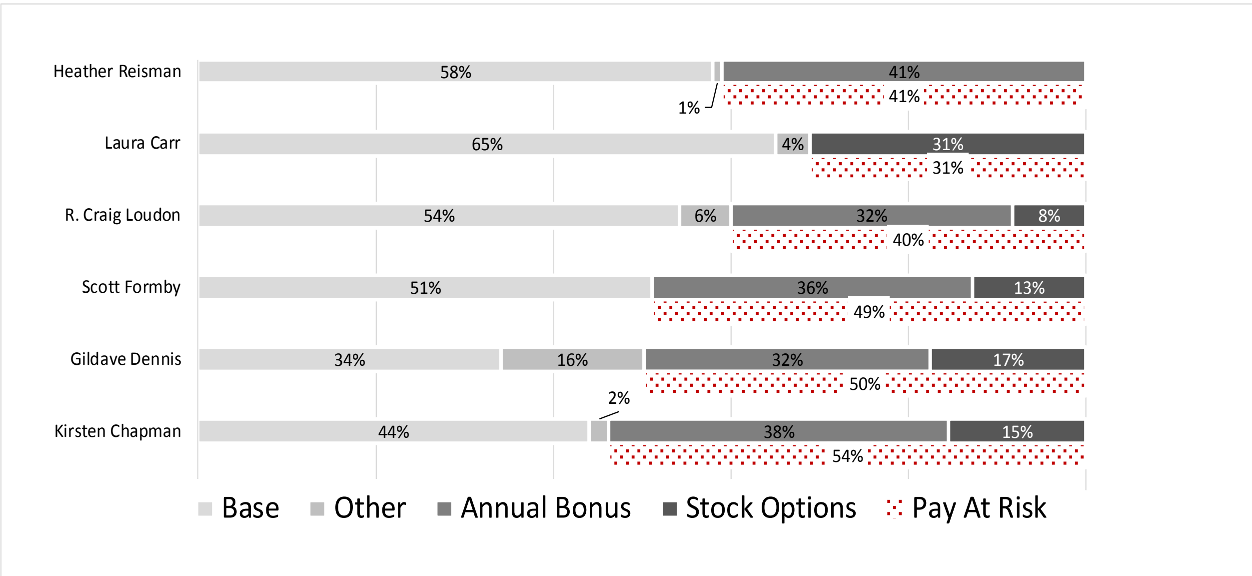
Performance-Based Compensation

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 2017, the fixed compensation portion of the NEO's compensation was made up of Base Salary and Other Compensation (including where applicable, car allowance, retirement savings and other contractual obligations).

In fiscal 2017, the variable/at-risk portion of the NEO's compensation was made up of the AIP, the Super Bonus Plan, and the Stock Option Plan. The fiscal 2017 variable/at-risk compensation for currently active NEOs ranged from 31% to 54% of total compensation.

The chart below illustrates the percent of variable compensation for each NEO for the 2017 fiscal year:



Benchmarking and the Role of Compensation Consultants

The compensation levels and mix for each NEO are based on a combination of external and internal factors including market conditions, business requirements and affordability, as well the experience, skills and performance of the NEO. Given the uniqueness of Indigo's business in the Canadian marketplace, there is no uniform industry group to which Indigo can be easily compared. Certain components of pay are reviewed periodically by management and the Human Resources, Compensation and Governance Committee. Neither the Human Resources, Compensation and Governance Committee nor Management utilized any external executive compensation consultants in fiscals 2017 or 2016.

Executives' Role in Compensation Decisions

The Chief Executive Officer works with the Executive Vice President, Retail and Human Resources to prepare recommendations for executive compensation to the Human Resources, Compensation and Governance Committee.

The Corporate Secretary and the Executive Vice President, Retail and Human Resources work with the Chair of the Human Resources, Compensation and Governance 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, Compensation and Governance Committee

Indigo's Human Resources and Compensation Committee merged with the Corporate Governance Committee effective July 6, 2016 to establish the Human Resources, Compensation and Governance Committee. Prior to the merger, Mr. Clegg, Mr. Kirby and Ms. O'Donovan served as members of the Human Resources and Compensation Committee of the Board with Ms. O'Donovan acting as its Chair. Effective July 6, 2016, the members of the new Human Resources, Compensation and

Governance Committee include Mr. Haft (Chair), Mr. Deitcher, Mr. Grosfield and Mr. Kirby, each acting for the remainder of the fiscal year. As with the former Human Resources and Compensation Committee, none of the members of the Human Resources, Compensation and Governance Committee are officers, employees or former officers or employees of the Company or any of its affiliates or are eligible to participate in the Company's executive compensation programs. Accordingly, the Human Resources, Compensation and Governance Committee consists entirely of independent directors.

Role of the Human Resources, Compensation and Governance Committee

The Human Resources, Compensation and Governance Committee reviews and makes recommendations to the Board in all matters pertaining to the appointment and compensation plans of all of the Company's Executives. The Human Resources, Compensation and Governance Committee held five meetings in fiscal 2017.

Each year, the Human Resources, Compensation and Governance Committee reviews the core components of the executive compensation program design and payouts under each including the AIP, Super Bonus Plan and Stock Option Plan. The Human Resources, Compensation and Governance Committee makes recommendations to the Board regarding the Chief Executive Officer's compensation.

Expertise of the Human Resources, Compensation and Governance Committee

Mr. Haft, the Chair of the Committee, gained human resources and compensation expertise through experience serving on compensation committees of other public companies. Mr. Deitcher gained human resources and compensation by being on previous boards, at a time when no committees were in place, exposing him to executive compensation strategy and decisions. Mr. Grosfield gained human resources and compensation experience in his role of Chief Executive Officer of Amex Bank of Canada, managing the compensation strategy for over 3,000 of its employees. He was also directly involved in human resources and compensation committee activities as Chair of the Board of Amex Bank of Canada. Mr. Grosfield continues to gain relevant experience in his current role as Executive Vice President, US Consumer Marketing Services. 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. Kirby also has experience serving on compensation committees of other public companies.

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, Compensation and Governance Committee of the Chief Executive Officer's performance, 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 compensation of all Executive positions, including that of the Chief Executive Officer, is assessed periodically.

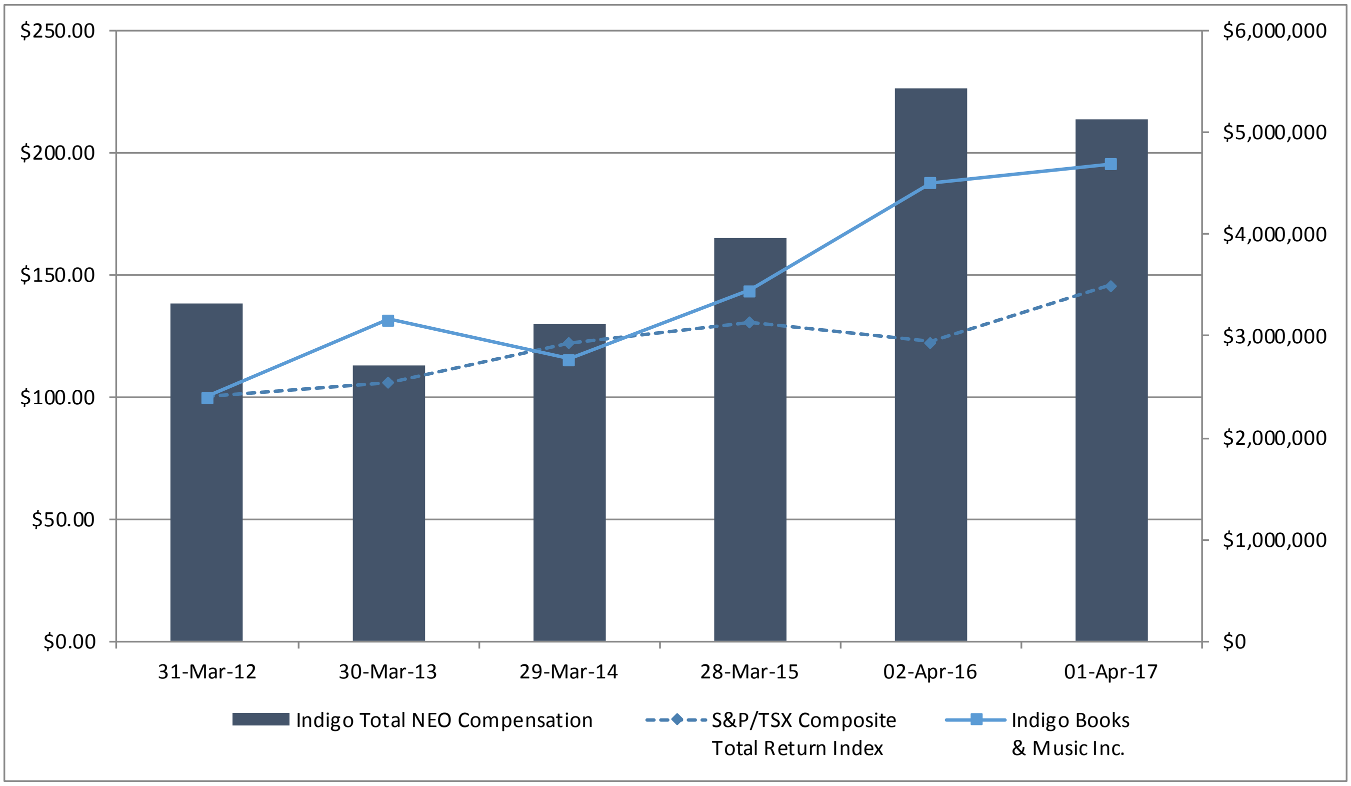
For fiscal 2015 and fiscal 2016, the Chief Executive Officer received a base salary of $500,000. For fiscal 2017, the Human Resources, Compensation and Governance Committee recommended a base salary adjustment to $750,000 to better align the CEO's salary with comparable positions in the market.

The Human Resources, Compensation and Governance Committee recommends to the Board the annual bonus amount earned by the Chief Executive Officer based on her performance during the fiscal year. 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. In the fiscal year ended April 2, 2016, the Chief Executive Officer received an annual bonus of $500,000, and a Super Bonus of $500,000 but elected to not receive stock options. In the fiscal year ended April 1, 2017, the Chief Executive Officer received an annual bonus of $500,000 but elected to not receive stock options. In fiscal 2017, there was no payout under the Company's Super Bonus Plan.

PERFORMANCE GRAPH

The following graph compares the total cumulative shareholder return for $100 invested in Indigo Shares on March 31, 2012, with the cumulative total return of the S&P/TSX Composite Total Return Index for the fiscal years ended March 30, 2013, March 29, 2014, March 28, 2015, April 2, 2016 and April 1, 2017.(1) The chart below also shows the Company's total cash NEO compensation over the same period.

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



	March 31, 2012	March 30, 2013	March 29, 2014	March 28, 2015	April 2, 2016	April 1, 2017
Indigo Common Shares	$ 100.00	$ 131.70	$ 115.63	$ 143.62	$ 187.69	$ 195.61
S&P/TSX Composite Total Return Index	$ 100.00	$ 106.11	$ 122.41	$ 130.78	$ 122.51	$ 145.82

For the fiscal years ended March 31, 2012 and March 30, 2013, the AIP, and the Super Bonus Program, where applicable, were based on the achievement of EBITDA targets. For the fiscal year ended March 29, 2014, the AIP was based on achievement of top-line sales and the Super Bonus Program was based on achievement of EBITDA targets. For the fiscal years ending March 28, 2015, April 2, 2016 and April 1, 2017 the AIP was based on the achievement of sales and EBITDA targets, as well as personal objectives and Balanced Scorecard. For fiscals 2015, 2016 and 2017, the 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 more closely aligned to top-line sales and EBITDA rather than Share price.

In each fiscal year from 2013 through 2017, NEO compensation has tracked commensurately with the shareholder return. 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 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 AIP 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. The year ending April 2, 2016 shows an increase in NEO compensation primarily driven by above average bonus payouts under the AIP and the Super Bonus Plan related to strong financial results in the fiscal year. For fiscal 2017, the decrease in total NEO Compensation was as a result of the lack of payout under the super bonus plan, as well as the Chief Financial Officer transition from Laura Carr to R. Craig Loudon. 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.

Prohibition on Hedging

The Company's 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 April 1, 2017, April 2, 2016, and March 28, 2015:

				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) Chair and Chief Executive Officer	2017	$708,333	$0	$500,000	$0	$13,200	$1,221,533
	2016	$500,000	$0	$500,000	$500,000	$13,200	$1,513,200
	2015	$500,000	$0	$250,000	$200,000	$13,750	$963,750
LAURA CARR(6) Former Executive Vice President and Chief Financial Officer	2017	$351,984	$168,261	$0	$0	$20,738	$540,983
	2016	$391,667	$92,414	$207,583	$200,000	$28,700	$920,364
	2015	$333,957	$189,477	$161,000	$137,500	$27,055	$848,939
R. CRAIG LOUDON(7) Interim Chief Financial Officer	2017	$276,250	$42,065	$161,625	$0	$29,234	$509,175
	2016	$270,000	$34,655	$89,438	$75,000	$18,888	$487,980
	2015	$144,952	$0	$38,599	$53,125	$11,812	$248,488
SCOTT FORMBY(8) Chief Creative Officer	2017	$673,810	$168,261	$474,885	$0	$0	$1,316,956
	2016	$666,231	$92,414	$438,273	$200,000	$6,507	$1,403,425
	2015	$569,637	$102,003	$315,000	$31,250	$6,300	$1,024,190
GILDAVE DENNIS(9) Executive Vice President, Retail and Human Resources	2017	$410,000	$210,326	$389,000	$0	$194,022	$1,203,348
	2016	$122,737	$112,003	$68,268	$100,000	$126,240	$529,248
	2015	nil	nil	nil	nil	nil	nil
KIRSTEN CHAPMAN(10) Executive Vice President, E-Commerce and Chief Marketing Officer	2017	$479,167	$168,261	$416,667	$0	$25,200	$1,089,294
	2016	$470,833	$173,276	$249,542	$200,000	$27,200	$1,120,851
	2015	$450,000	$102,003	$162,000	$93,750	$18,200	$825,953

(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 AIP and any discretionary bonuses. Amounts earned under the AIP, 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.

(4) The amounts shown under All Other Compensation include, where applicable, the NEO's taxable car allowance, the value received during the year pursuant to the Retirement Savings Plan, signing bonus amounts and any amounts paid as a result of contractual obligations. In fiscals 2015 and 2016, certain NEOs were

eligible to receive a perquisite allowance of up to $5,000 annually which is also included in this column. The perquisite allowance program was discontinued in fiscal 2017.

(5) Ms. Reisman is the Chair and Chief Executive Officer. For fiscal 2017, Ms. Reisman received a base salary of $750,000. In fiscal years 2015 and 2016, Ms. Reisman received a base salary of $500,000.

For fiscal 2017, Ms. Reisman's "All Other Compensation" included a car allowance of $13,200.

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. Ms. Carr was appointed Executive Vice President and Chief Financial Officer effective June 25, 2014. On February 9, 2017, Ms. Carr resigned from the Company. Upon departure, Ms. Carr received a payment of $84,375 for her Super Bonus awards earned in FY16 and FY15 that are disclosed under the "Long-Term Incentive Plan" for fiscals 2016 and 2015. For fiscal 2017, Ms. Carr's annual base salary was $405,000, effective June 1, 2016.

On August 16, 2016, Ms. Carr received a grant of 40,000 stock options. The Black-Scholes fair value of these options on the grant date is $168,261. The following assumptions were used in the calculation of the grant date fair value of these stock options: risk-free rate of 0.74%; time to maturity of 3.0 years; and volatility of 32.98%.

On August 10, 2015, Ms. Carr received a grant of 40,000 stock options. The Black-Scholes fair value of these options on the grant date is $92,414. The following assumptions were used in the calculation of the grant date fair value of these stock options: risk-free rate of 0.52%; time to maturity of 3.0 years; and volatility of 32.95%.

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%.

For fiscal 2017, Ms. Carr's "All Other Compensation" included a car allowance of $11,550, and a Retirement Savings Plan contribution of $9,188.

(7) Mr. Loudon joined Indigo on August 11, 2014 as Senior Vice President, Business Finance. On February 9, 2017 Mr. Loudon was appointed Interim Chief Financial Officer. Effective June 1, 2016, Mr. Loudon's annual base salary was $277,500. Upon appointment to Interim Chief Financial Officer, Mr. Loudon is entitled to receive a monthly premium in the amount of $5,000 per month for the duration of the interim assignment.

On August 16, 2016, Mr. Loudon received a grant of 10,000 stock options. The Black-Scholes fair value of these options on the grant date is $42,065. The following assumptions were used in the calculation of the grant date fair value of these stock options: risk-free rate of 0.74%; time to maturity of 3.0 years; and volatility of 32.98%.

On August 10, 2015, Mr. Loudon received a grant of 15,000 stock options. The Black-Scholes fair value of these options on the grant date is $34,655. The following assumptions were used in the calculation of the grant date fair value of these stock options: risk-free rate of 0.52%; time to maturity of 3.0 years; and volatility of 32.95%.

For fiscal 2017, Mr. Loudon's "All Other Compensation" included a car allowance of $8,400, a Retirement Savings Plan contribution of $8,334, and a premium payment of $12,500.

(8) 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 and Option-based Awards, which are shown in Canadian dollars. Mr. Formby receives an annual base salary of $515,000 (USD). For base salary, exchange rates are calculated on a monthly basis at the applicable rate; other amounts are calculated at an exchange rate of $1.3299 (CAD) = $1.00 (USD), being the closing rate at fiscal year-end. For fiscal 2016, an exchange rate of 1.3014 (CAD) = $1.00 (USD) was used, being the closing rate at fiscal year-end. For fiscal 2015, an exchange rate of $1.26 (CAD) = $1.00 (USD) was used, 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.

On August 16, 2016, Mr. Formby received a grant of 40,000 stock options. The Black-Scholes fair value of these options on the grant date is $168,261. The following assumptions were used in the calculation of the grant date fair value of these stock options: risk-free rate of 0.74%; time to maturity of 3.0 years; and volatility of 32.98%.

On August 10, 2015, Mr. Formby received a grant of 40,000 stock options. The Black-Scholes fair value of these options on the grant date is $92,414. The following assumptions were used in the calculation of the grant date fair value of these stock options: risk-free rate of 0.52%; time to maturity of 3.0 years; and volatility of 32.95%.

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%.

(9) Mr. Dennis joined Indigo on December 14, 2015 as Executive Vice President, Retail and Human Resources. Mr. Dennis received a signing bonus of $65,000, paid on the first and second anniversary of employment. Effective December 14, 2015, Mr. Dennis' base salary was $410,000.

Mr. Dennis is paid in Canadian currency and receives exchange payments on his base salary, AIP and signing bonus. For base salary, exchange rates are calculated on a quarterly basis, and paid as a lump sum following the end of each quarter. For the AIP, exchange rates are based on the closing rate at fiscal year-end. For the signing bonus, exchange rates are based on the average exchange rate in the three months preceding payment, and paid on the first and second anniversary of employment. All exchange payments are based on the prevailing exchange rate, not exceeding $1.30 (CAD) = $1.00 (CAD).

On August 16, 2016, Mr. Dennis received a grant of 50,000 stock options. The Black-Scholes fair value of these options on the grant date is $210,326. The following assumptions were used in the calculation of the grant date fair value of these stock options: risk-free rate of 0.74%; time to maturity of 3.0 years; and volatility of 32.98%.

On December 14, 2015, Mr. Dennis received a grant of 40,000 stock options. The Black-Scholes fair value of these options on the grant date is $112,003. The following assumptions were used in the calculation of the grant date fair value of these stock options: risk-free rate of 0.57%; time to maturity of 3.0 years; and volatility of 30.45%.

For fiscal 2017, Mr. Dennis' "All Other Compensation" included a car allowance of $13,200 and exchange payments of $180,822.

(10) 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. Effective June 1, 2016, Ms. Chapman's annual base salary was $480,000.

On August 16, 2016, Ms. Chapman received a grant of 40,000 stock options. The Black-Scholes fair value of these options on the grant date is $168,261. The following assumptions were used in the calculation of the grant date fair value of these stock options: risk-free rate of 0.74%; time to maturity of 3.0 years; and volatility of 32.98%.

On August 10, 2015, Ms. Chapman received a grant of 75,000 stock options. The Black-Scholes fair value of these options on the grant date is $173,276. The following assumptions were used in the calculation of the grant date fair value of these stock options: risk-free rate of 0.52%; time to maturity of 3.0 years; and volatility of 32.95%.

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%.

For fiscal 2017, Ms. Chapman's "All Other Compensation" included a car allowance of $13,200, and a Retirement Savings Plan contribution of $12,000.

OUTSTANDING OPTION-BASED AWARDS

The following table shows the number and value of outstanding stock options held by each of the NEOs as at April 1, 2017:

	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	nil	n/a	n/a	nil
R. Craig Loudon	9,900	$10.09	August 10, 2020	$56,529
R. Craig Loudon	10,000	$18.00	August 16, 2021	nil
Scott Formby	200,000	$8.12	January 3, 2019	$1,536,000
Scott Formby	40,000	$10.46	June 26, 2019	$213,600
Scott Formby	40,000	$10.09	August 10, 2020	$228,400
Scott Formby	40,000	$18.00	August 16, 2021	nil
Gildave Dennis	40,000	$13.15	December 14,2020	$106,000
Gildave Dennis	50,000	$18.00	August 16, 2021	nil
Kirsten Chapman	7,400	$10.70	August 12, 2018	$37,740
Kirsten Chapman	26,300	$10.46	June 26, 2019	$140,442
Kirsten Chapman	54,000	$10.09	August 10, 2020	$308,340
Kirsten Chapman	40,000	$18.00	August 16, 2021	nil

(1) This column contains the aggregate dollar value of in-the-money vested and unvested unexercised options as at April 1, 2017, using the March 31, 2017 closing Share price of $15.80.

INCENTIVE PLAN AWARDS — VALUE VESTED OR EARNED DURING THE YEAR

The following table shows the value of any stock options held by each of the NEOs which vested during fiscal 2017 along with amounts earned under non-equity incentive compensation plans in fiscal 2017. 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 — Value Earned During the Year ($)	
NEO	Option-Based Awards — Value Vested During the Year[1] ($)	Annual Bonus[2] Incentive Program	Super Bonus Plan[2]
Heather Reisman	n/a	$500,000	nil
Laura Carr	$403,999	nil	nil
R. Craig Loudon	$40,341	$161,625	nil
Scott Formby	$877,004	$474,885[4]	nil
Gildave Dennis	$48,960	$389,000	nil
Kirsten Chapman	$378,453	$416,667	nil

(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 AIP and any discretionary bonuses. Amounts earned under the AIP, where applicable, are paid out in the first quarter of the fiscal year following the fiscal year in which they were earned.

(3) There was no payout under the fiscal 2017 Super Bonus Plan.

(4) Amount shown is the Canadian equivalent of the U.S. funds paid, using an exchange rate on the fiscal close date of March 31, 2017 of $1.3299 (CAD) = $1.00 (USD).

MATERIAL TERMS AND CONDITIONS OF EMPLOYMENT AGREEMENTS

Indigo has employment agreements with its Interim Chief Financial Officer; Chief Creative Officer; Executive Vice President, Retail and Human Resources; and Executive Vice President, E-Commerce and Chief Marketing Officer. The key terms of these agreements are outlined below.

R. Craig Loudon, Interim Chief Financial Officer

Indigo has an employment agreement with Mr. Loudon who is currently the Interim Chief Financial Officer. Mr. Loudon's employment agreement does not include a termination clause. Accordingly, upon termination Mr. Loudon's entitlement would be determined under common law.

Mr. Loudon's employment agreement is dated August 11, 2014, the start date of his 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 2017, the Company would have been obligated to pay Mr. Formby the sum of $684,899 (CAD) (base salary of $515,000 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 applicable at time of payment. For the purpose of this disclosure, an exchange rate on the fiscal close date of March 31, 2017 of $1.3299 (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 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.

Gildave Dennis, Executive Vice President, Retail and Human Resources

Indigo has an employment agreement with Executive Vice President, Retail and Human Resources, Mr. Gildave Dennis. If Mr. Dennis' employment had been terminated without cause on the last day of fiscal 2017, the Company would have been obligated to pay out $409,500 to Mr. Dennis under the terms of this agreement. This amount includes base salary over a period of nine months and the exchange payment on his salary continuance and signing bonus with an exchange rate of $1.30 (CAD) = $1.00 (USD).

Mr. Dennis' employment contract is dated November 2, 2015.

In the event that Mr. Dennis is terminated for any reason without cause, he is entitled to all health 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. Dennis accepts alternate full-time employment during the salary continuation period, continuation payments and benefits will cease.

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

Indigo has an employment agreement with its Executive Vice President, E-Commerce and Chief Marketing Officer, 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.

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 2017. In the event of termination with cause on the last day of fiscal 2017, there would be no payments due to the NEOs.

2017 Potential Payments upon Termination

NEO	Base Salary	Additional Payments	Annual Bonus Incentive	Total Payout
Heather Reisman	no written employment contract			
R. Craig Loudon	no termination provision in employment contract – any amount payable on termination would be pursuant to common law			
Scott Formby	$684,899(1)	n/a	n/a	$684,899(1)
Gildave Dennis	$399,750(2)	$9,750(2)	n/a	$409,500(2)
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 ($515,000 U.S.) using an exchange rate on the fiscal close date of March 31, 2017 of $1.3299 (CAD) = $1.00.

(2) Amount shown includes a currency exchange payment using an exchange rate of $1.30 (CAD) = $1.00 (USD) further to Mr. Dennis' employment agreement.

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 stock unit plan ("DSU Plan"). The DSU Plan provides for directors who are not executive officers or employees of the Corporation or of Trilogy ("Outside Directors") to receive DSUs as compensation for their services.

Summary of the DSU Plan

The Corporation's DSU Plan is intended to provide Outside Directors with DSUs as compensation for their services. Under the DSU Plan (as amended on November 3, 2015), Outside Directors may elect to receive up to 50% of their directors' compensation (retainer and meeting fees) in the form of cash (payable on a quarterly basis) with the remaining percentage to be received in the form of DSUs. Outside Directors must make this election prior to December 20 of the calendar year preceding the calendar year to which the compensation applies (eg. by December 20, 2016 for compensation earned during the 2017 calendar year). A new director must make such election within 30 days of becoming a director. If an election is not made, the director will receive 100% of their compensation in the form of DSUs.

For the portion to be received in 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, one Share from treasury. As of the date of this Circular, no directors have elected to receive any portion of their 2017 compensation in the form of cash.

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 the Shares, each director will be allocated additional DSUs equal to the cash value of the dividend they would be entitled to receive if they held Shares rather than DSUs, divided by the closing price of a Share on the TSX as at the dividend payment date.

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.

Under the DSU Plan, Shares issued pursuant to the redemption of DSUs granted under the DSU Plan and any Shares underlying DSUs which are cancelled or terminated without having been redeemed shall be again available for issuance pursuant to the DSU Plan. As a result, the DSU Plan is considered an evergreen plan pursuant to the rules of the TSX. The TSX requires that the approval of all unallocated DSUs under the DSU Plan be sought by the Corporation every three years from a majority of the votes cast by shareholders. Unallocated DSUs were approved by the shareholders of the Corporation at the Corporation's annual and special meeting held on July 6, 2016.

As of the date of this Circular, DSUs redeemable for 316,682 Shares were outstanding, representing approximately 1.20% of the issued and outstanding Shares and approximately 63.3% of the Shares available for issuance under the DSU Plan. As of the date of this Circular, 183,318 Shares are available for further grants of DSUs, representing approximately 0.70% of the issued and outstanding Shares. The plan maximum of 500,000 Shares available for issuance under the DSU Plan represents approximately 1.90% of the issued and outstanding Shares. Subject to the overall limit on the number of Shares available for issuance under the DSU Plan and the Stock Option Plan, the maximum number of Shares 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 Human Resources, Compensation and 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 DSUs granted under such plan; (v) amendments to the termination provisions of the DSU Plan or any DSU granted under such plan, whether or not such DSU 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 expanding the categories of eligible participants under the DSU Plan which would have the potential of broadening or increasing insider participation; (iii) any amendment to remove or to exceed the insider participation limits; (iv) any amendment to the amendment provisions of the DSU Plan; (v) any amendment which would permit DSUs granted pursuant to the DSU Plan to be transferrable or assignable other than for normal estate settlement purposes; (vi) any amendment extending the term of a unit held by an insider beyond its original expiry date except as provided under the DSU Plan; (vii) 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 (viii) 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 2017 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, Compensation and 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, Compensation and Governance	3,500

DIRECTOR COMPENSATION TABLE

The following table outlines the dollar value of the compensation awarded to each Outside Director in fiscal 2017, as well as the corresponding number of DSUs earned in fiscal 2017. All compensation received by Indigo directors for Board service in fiscal 2017 was paid through equity-based compensation. No director elected to receive any portion of director compensation in cash for the 2017 fiscal year. The grant of DSUs earned in fiscal 2017 was approved by the Board on May 30, 2017.

	Share Based Awards	
Director	**Number of Units Earned**	**Total Compensation ($)**
Frank Clegg	3,095	$52,250
Jonathan Deitcher	2,428	$41,000
Mitchell Goldhar	1,776	$30,000
Howard Grosfield	2,012	$34,250
Robert Haft	2,621	$44,125
Andrea Johnson	832	$14,000
Michael Kirby	4,107	$68,875
Anne Marie O'Donovan	3,141	$53,125
Joel Silver	1,776	$30,000

Directors' compensation is reviewed by the Human Resources, Compensation and 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 April 1, 2017, along with the market value of such units as calculated using the closing share price of Indigo's Shares on March 31, 2017, which was $15.80.

	Share-Based Awards	
Director	**Number of DSUs that have not been redeemed[(1)(2)] (#)**	**Market or payout value of DSUs that have not been redeemed ($)**
Frank Clegg	59,844	$945,535
Jonathan Deitcher	58,858	$929,956
Mitchell Goldhar	26,648	$421,038
Howard Grosfield	3,741	$59,108
Robert Haft	3,598	$56,848
Andrea Johnson	832	$13,146
Michael Kirby	126,011	$1,990,974
Anne Marie O'Donovan	33,644	$531,575
Joel Silver	3,505	$55,379

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

(2) James Hall, a former director who resigned from the Board in June 2015, redeemed 67,108 DSUs on December 20, 2016 with a market value of $1,116,006.

SECURITY-BASED COMPENSATION ARRANGEMENTS

The following is the summary of the Corporation's security based compensation arrangements as at April 1, 2017:

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	1,965,507 Shares	$12.57 for options $10.91 for DSUs[(4)]	1,987,366 Shares
Equity compensation plans not approved by security holders	Nil	n/a	n/a
Total	1,965,507 Shares	$12.57 for options $10.91 for DSUs	1,987,366 Shares

(1) Number of securities to be issued upon exercise of outstanding options, warrants and rights includes 1,648,825 Shares in relation to the Stock Option Plan and 316,682 Shares in relation to the DSU Plan.

(2) Number of securities remaining available for future issuance under equity compensation plans includes 1,804,048 Shares in relation to the Stock Option Plan and 183,318 Shares in relation to the DSU Plan.

(3) The maximum number of Shares available for issuance under the Stock Option Plan is 15% of the issued and outstanding Shares from time to time 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 executive officer, director, employee or former executive officer, director or employee of the Corporation, or any associates of the foregoing is or was during fiscal 2017 indebted to the Corporation.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

During fiscal 2017, 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 $4.1 million for such goods and services in fiscal 2017 and $4.5 million in fiscal 2016. As at April 1, 2017, Indigo had $0.1 million payable to these companies under standard payment terms and $1.0 million of restricted cash pledged as collateral for letter of credit obligations issued to support the Corporation's purchases of merchandise from these companies (April 2, 2016 - $0.1 million and $2.8 million restricted cash). All transactions were in the normal course of business for both Indigo and the related companies.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The Board believes that good corporate governance practices are essential to the effective management of the Corporation. Indigo is committed to high standards of governance, with a strong culture of integrity and ethical behavior.

Board Responsibilities

The Board is responsible for the supervision of the management of the business and affairs of the Corporation, with oversight being performed either directly or indirectly through Board committees. To assist in discharging its duties, the Board has established two committees of the Board, namely the Audit Committee, and the Human Resources, Compensation and Governance Committee.

Strategy

The Board is responsible for the approval of the Corporation's 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. The Board participates fully in assessing and approving strategic plans and prospective decisions proposed by management. Quarterly financial reports provided by management allow the Board to monitor and assess corporate performance against Board approved strategic plans.

Risk 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. This responsibility is shared with the Audit Committee to which oversight of the Corporation's enterprise risk management has been delegated by the Board. The Audit Committee reviews detailed financial information contained in management reports and hears and acts upon the recommendations of Indigo's auditors.

Oversight of Management

Day-to-day management of the affairs of the Corporation has been delegated to the Chief Executive Officer, working with the Board-appointed executive team. The Board reviews ongoing reports regarding the performance of the Corporation. In respect of senior management succession planning, the Human Resources, Compensation and Governance Committee, is involved in considering internal and external candidates to fill senior management positions at Indigo.

Financial Reporting and Internal Controls

With the assistance of the Audit Committee, the Board oversees the Corporation's financial reporting and disclosure obligations, as well as approving all of the Corporation's disclosure documents. The Audit Committee also supports the Board in assessing the Corporation's system of internal financial controls, satisfying itself that the controls are effective and efficient.

Communications Policy

The Board has adopted a communications/disclosure policy and directly approves significant corporate communications with shareholders.

Corporate Governance

The Board, with the assistance of the Human Resources, Compensation and Governance Committee, develops and monitors the Corporation's approach to corporate governance, ensuring appropriate, effective processes are in place.

Integrity, Ethics and Social Responsibility

A strong culture of integrity and ethics is promoted throughout the organization, including adherence to its code of conduct.

The mandate of the Board is attached as Appendix "A" to this Circular (the "Mandate").

Composition

The Board currently consists of eleven members, ten of whom are standing for election at the meeting.

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 Mandate. The Human Resources Compensation and Governance Committee regularly assesses whether the Board possesses the appropriate mix of competencies and qualifications to function effectively with its current and future strategic objectives. Directors make recommendations of new individuals to serve on the Board for consideration by the Human Resources, Compensation and Governance Committee as they become aware of suitable, available candidates. The Human Resources, Compensation and Governance Committee considers those candidates who are highly qualified based on their professional experience, functional expertise, personal skills and qualities.

Director Term Limits

The Human Resources, Compensation and Governance Committee regularly assesses the composition of the Board, including director tenure. This evaluation enables the 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, as the Corporation believes the Board has and continues to demonstrate its commitment to identify and nominate strong female candidates for leadership and Board membership. The Human Resources, Compensation and Governance Committee reviews and assesses Board composition and oversees the 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, given the level of female representation on the Board. Currently, three of eleven Indigo directors (or 27%) are women. As one male director is not standing for re-election at the 2017 annual meeting, following the meeting, the percentage of female directors on the Board will be at 33%. Notably, the Chair of the Board is female and one new female director was appointed to the Board during fiscal 2017. The Board intends to continue to make diversity a significant consideration in director identification and selection.

Representation of Women in Executive Officer Positions

The Corporation has not adopted a specific target or quota of women in executive officer positions, given the level of female representation within executive officer roles. Currently, three of nine executive officers (or 33%) are women. Indigo believes that hiring and retaining executive officers should be primarily based on individual merits, with consideration given to gender diversity. The Corporation is committed to promoting women to executive positions and ensuring that women candidates are fairly considered for such positions. 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	SmartREIT (formerly Calloway Real Estate Investment Trust) (since 2005) Onex Corporation (since 2017)
Anne Marie O'Donovan	MDC Partners Inc. (since 2016)
Heather Reisman	Onex Corporation (since 2003)
Gerald Schwartz	The Bank of Nova Scotia (Honorary Director) (since 2007) Onex Corporation (since 1987)
Joel Silver	DAVIDs TEA Inc. (since 2017)

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, Grosfield, Haft, and Kirby are considered by the Board to be "independent directors". Four 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, Ms. Johnson being Ms. Reisman's daughter and Mr. Silver who is Managing Partner of Trilogy Growth, a limited partnership indirectly controlled by Mr. Schwartz. As previously noted, Mr. Silver has decided not to stand for re-election at the meeting.

The Board believes that these seven 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 Mr. Schwartz, who indirectly holds approximately 57.7% 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*.

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:

- seven of the Corporation's eleven 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 an opportunity to call for a session in the absence of Ms. Reisman, or any other member of management; 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 2017.

All Committees of the Board are comprised solely of independent directors. In fiscal 2017, there were a total of ten meetings of independent directors meeting in their capacity as Audit and Human Resources, Compensation and Governance Committee members. The Committee members meet *in camera,* without the presence of management, when necessary, at the conclusion of the 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, Compensation and Governance 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 two standing Committees, namely the Audit Committee, and the Human Resources, Compensation and 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.

Audit Committee

The Audit Committee is comprised of three Outside Directors, all of whom are independent and financially literate within the meaning set out in Canadian securities law. 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 oversees the work of the external auditor, annually approving the audit plan and monitoring their independence, as well as recommending the auditor for annual appointment. The Audit Committee communicates directly with Indigo's auditors in order to discuss audit and related matters whenever appropriate. In addition to the work of the external auditor, the Audit Committee also reviews the internal audit plan and quarterly reports prepared by the internal auditor. The Audit Committee is responsible for oversight of the enterprise risk management of the Corporation, including IT risk.

Human Resources, Compensation and Governance Committee

The Human Resources, Compensation and Governance Committee is comprised of four Outside Directors, all of whom are independent.

(i) Human Resources and Compensation responsibilities:

The Human Resources, Compensation and Governance Committee has been entrusted by the Board with the responsibility of reviewing and making recommendations to the Board regarding compensation philosophy and its elements and to assist the Board in executing its responsibilities in regard to executive management's compensation. Specifically, the Human Resources, Compensation and Governance Committee's charter provides that the Committee shall, among other things: recommend appointment of officers, Chief Executive Officer compensation, compensation philosophy, incentive plan and equity based compensation plan design, as well as approve executive management compensation guidelines. The Board has delegated to the Human Resources, Compensation and Governance Committee the oversight of executive talent succession and approval of executive compensation as outlined in the Committee's charter, taking into consideration the level of responsibility and contribution. The approval of all payouts under bonus incentive plans and all stock option grants have been delegated to the Human Resources, Compensation and Governance Committee. The Committee is also responsible for reviewing executive compensation disclosures made by the Corporation. The composition, compensation expertise, and role of the Human Resources, Compensation and Governance Committee is described in detail in the Compensation Discussion and Analysis above.

(ii) Corporate Governance responsibilities:

The Human Resources, Compensation and Governance Committee is responsible for assisting the Board in its oversight of Indigo's corporate governance practices, making recommendations with respect to Board and Committee membership and reviewing corporate governance disclosures made by the Corporation. 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. Compensation of the Board members is reviewed by the Human Resources, Compensation and Governance Committee and recommended to the Board for approval. The Committee regularly performs an assessment of the Board, its Committees and its members through the use of a confidential questionnaire completed by 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 Human Resources, Compensation and Governance Committee is responsible for establishing qualifications for new directors, and evaluating proposed directors against such criteria. Director candidates are selected and recommended by the Committee based on the candidate's availability, expertise, experience, competencies and skills as required by the Board. The Human Resources, Compensation and Governance Committee is also responsible for the oversight of new director orientation and continuing education for all Board members. New Board members are provided with a comprehensive corporate 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. Board members also participate in store visits as part of ongoing director education. Responses to the Board assessment questionnaire provide feedback regarding areas of director interest/relevance for future continuing education sessions.

Both the Audit and Human Resources, Compensation and Governance 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 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 keeps all shareholders well informed of 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. Ms. Reisman endeavours to respond promptly and appropriately to all such requests and/or inquiries. 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. Regular investor/analyst calls are held after the release of financial results with participant information posted at www.chapters.indigo.ca/investor-relations/ prior to the call. Call transcripts are also available on the website.

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 April 1, 2017. 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 $30,000,000 with deductible amounts ranging from $0 to $50,000 for the year ended April 1, 2017. For the year ended April 1, 2017, the premium cost of this insurance was $60,462.

ADDITIONAL INFORMATION

Financial information for the financial year ended April 1, 2017, 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 and the Corporation's website at www.chapters.indigo.ca.

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

R. Craig Loudon
Interim Chief Financial Officer

Toronto, Canada
May 30, 2017

Appendix "A"

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

MANDATE OF THE BOARD OF DIRECTORS

1. PURPOSE

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

2. COMMITTEES OF THE BOARD

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

3. BOARD ORGANIZATION

(a) Qualifications

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

(b) Composition

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

(c) Size

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

(d) Independent Directors

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

(e) Quorum

A majority of directors shall constitute a quorum.

(f) Nomination of Directors

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

4. PRINCIPAL DUTIES OF THE BOARD

(a) General

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

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

(b) Integrity, Ethics and Social Responsibility

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

(c) Strategic Planning Process

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

(d) Financial Reporting

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

(e) Identification of Principal Risks and Implementing Managing Systems

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

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

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

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

- approve CEO compensation as recommended by the HRCG Committee.

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

- establish boundaries between Board and management responsibilities and establish limits of authority delegated to management (eg, approval of annual strategic plan and budget). In doing so, the Board will decide how engaged it wants to be in influencing management's decisions and the Corporation's direction. The CEO and the directors will agree amongst themselves which level of Board engagement best fits the Corporation;
- appoint Officers of the Corporation and oversee the executive compensation programs;
- approve the design of the Corporation's bonus incentive plans and equity-based compensation plans and any amendments thereto;
- monitor the performance of executive management (officer level positions) against corporate objectives directed at maximizing the financial value of the Corporation;
- ensure that there are policies and practices in place to enable the Corporation to attract, develop and retain the human resources required to meet its business objectives; and
- ensure a process to adequately provide for CEO succession is in place.

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

(g) Communications Policy

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

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

(h) Approach to Corporate Governance and Governance Guidelines

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

- appoint a HRCG Committee composed of independent directors, which, among other responsibilities will:
    - develop, approve and monitor the Corporation's approach to corporate governance;
    - establish processes for the regular evaluation of the effectiveness and performance of the Board, its committees and individual directors, including the annual review and approval of the Board's mandate, charters of the Board committees and the position descriptions applicable to individual directors.
    - clearly articulate what is expected from a director by developing a position description for directors, the Chair, the CEO and the chair of each Board committee; and
    - review and assess the adequacy of the committee charters and position descriptions on an annual basis.

5. BOARD INDEPENDENCE

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

- appoint a lead director who is an independent director to provide leadership to the Board and the independent directors, including presiding over any sessions/meetings of independent directors;

- establish committees composed of independent directors and approve their respective charters and the limits of authority delegated to each committee; and
- ensure that, at the Corporation's expense, the Board and its committees may retain outside legal and other experts where reasonably required to assist and advise the Board and its committees in carrying out their duties and responsibilities.

6. BOARD COMPENSATION

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

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