

CODE OF CONDUCT

November 2017



Indigo Code of Conduct

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INTRODUCTION

At Indigo Books & Music Inc. (“Indigo” or the “Company”), we are committed to conducting business with the highest ethical and professional standards, not just because it is a positive reflection on our Company or that our customers expect no less, but because it is the right thing to do.

The Indigo Code of Conduct is a set of standards and expectations that applies to all employees, including management, as well as the members of the Board of Directors (collectively “employees”). It outlines service standards we use when dealing with each other and with our customers, external consultants, vendors and suppliers. These principles and behaviours are considered binding and must be followed by everyone who works at Indigo.

We want you to know our standards and expectations, to adhere to them and to advise your leader if the standards are in conflict with any actions you observe. Our standards and expectations outlined in this Code of Conduct are not exhaustive and should be interpreted together with other Indigo policies and practices.

To maintain our reputation for integrity, we expect all employees to act ethically with the highest standards of integrity and abide by the principles of lawful conduct in all their business dealings. This includes ensuring that we obey all laws and regulations, as well as Indigo policies, not only in our home country, but also in any country within which we are travelling or doing business. If you are unsure of the best course of action in a particular situation, employees are encouraged to speak with senior management or other appropriate Indigo personnel (eg. Legal Department, Human Resources (“HR”) Department).

You are responsible for seeking help or clarification about any aspects of the Code of Conduct that are unclear to you. If you have any questions, need help or clarification, please speak to your leader or our HR Department.

All employees must annually complete on-line training or sign a certificate attesting to compliance with the Code of Conduct.

1. CUSTOMER RELATIONS

At Indigo, we exist to add a little joy to our customer’s lives, each and every time they interact with us or our products. With that in mind, we expect all employees to conduct themselves in a professional manner, recognizing that each customer contributes to our success. We encourage all employees to make decisions and take actions that will create joyful experiences for our customers.

2. FRAUD

Fraud, in any form, will not be tolerated at Indigo. This includes acts of fraud committed against the Company, as well as acts committed against outside parties intended to benefit the Company.

Any employee who knowingly observes or suspects dishonest or fraudulent activity must report it immediately. All reasonable steps will be taken to protect the confidentiality of a person who in good faith advises of or reports possible misconduct and the employment status of such person will not be affected by so advising or reporting.

Employees and contractors who commit an act of fraud are subject to disciplinary action, up to and including termination of employment, criminal prosecution, or both. The Company will pursue full recovery of any losses resulting from an act of fraud.

For the purposes of the Indigo Code of Conduct, “fraud” is defined as dishonest, irregular or illegal acts, characterized by a deliberate intent at concealment or false representation, resulting in the diversion of Company resources, whether or not for personal gain.

Examples of acts considered fraudulent:

- Forgery or alteration of any document or account belonging to the Company (for example, a cheque, bank draft, or contract);
- Financial reporting schemes such as manipulating earnings through improper revenue recognition, overstatement of assets or understatement of liabilities;
- Impropriety in the reporting of money or financial transactions;
- Profiteering as a result of insider knowledge of Company activities;
- Knowingly disclosing confidential and proprietary information to unauthorized parties;
- Accepting or seeking anything of material value from contractors, vendors, or persons providing services/materials to the Company;
- Destruction or removal of records with intent to defraud or misrepresent; and
- Other fraudulent means including but not limited to:
 - Misuse of corporate assets;
 - Breach of trusts;
 - Non-disclosure of material facts;
 - Unauthorized diversion or misappropriation of funds or property; and
 - Breach of contractual obligations.

If there is any question as to whether an action constitutes fraud, please contact the Vice President, Loss Prevention or the Legal Department for guidance.

The Company’s Fraud Policy is incorporated in the Indigo Code of Conduct by reference.

Employees can obtain complete Fraud Policy details by accessing the Company’s intranet site.

3. CONFLICTS OF INTEREST

THE EMPLOYEE OBLIGATION

At Indigo, our success depends on everyone's commitment. We should always conduct ourselves in a manner in which there is no conflict of interest between our personal interests and those of the Company. When an actual or potential conflict of interest arises, please speak to your leader.

In general, a conflict of interest occurs when personal interests appear to influence decision making or interfere with your responsibilities and duties required by your job and the business.

Avoiding conflicts of interest means avoiding situations where your actions are allowing you to benefit personally as a result of your position at Indigo. As an employee of Indigo, it's expected that you will always act in the Company's best interests.

RELATIONSHIPS IN THE WORKPLACE

Indigo recognizes that there may be members from the same family or people in a relationship who work at the same location. However, employment of family members or partners where one person has direct influence over the other's conditions of employment (i.e. salary, hours worked, shifts, performance appraisals, promotions, etc.) is strictly prohibited. In some cases, a concern over conflict of interest may arise involving other relatives or close friends. If you are unsure about a potential conflict, you should fully disclose the circumstances to your leader or the HR Department.

GIFTS FROM CUSTOMERS, EXTERNAL CONSULTANTS, VENDORS OR SUPPLIERS

Some jobs at Indigo involve dealing directly with external vendors, consultants, suppliers and customers. Indigo expects you to deal honestly and fairly in these business relationships, and when choosing an external consultant, vendor or supplier, not to be influenced by factors other than quality, price, reputation, relevance and value.

You should not accept any form of entertainment, gifts or other gratuities over \$100 in value from customers, external consultants, vendors or suppliers (existing or prospective). You should also not use your position within the Company to obtain personal gain from those seeking to do business with the Company.

Products or services received during the conduct of business (including samples, promotions, etc.) are the property of Indigo.

Please address any questions you may have on this matter with your leader or the Legal Department.

ANTI-CORRUPTION

Indigo has no tolerance for corruption. Indigo also expects the highest standards of professional conduct and ethics regarding any interaction with government officials. Employees, agents or independent contractors representing Indigo must not offer, provide, request or receive any money, gifts, services or entertainment, disguised commission or any improper payment or benefit to any domestic or foreign government or public official, political party (or any of its officials) or any candidate

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for a political office, or their family members, for the purposes of obtaining, retaining or directing of business. Any requests from such officials or their family members of such nature should be brought to the attention of the Legal Department.

ANTI-TRUST AND FAIR COMPETITION

Indigo is committed to engaging in fair and vigorous competition, in compliance with all anti-trust and competition laws that are in place to promote competition in the marketplace and protect consumers. As a result, Indigo employees will not engage in any activities that violate these laws, such as agreeing with our competitors to fix prices, margins, terms of sale, or to divide markets, coordinate bidding activities or boycott customers or suppliers. If you need further clarification, please speak to your leader or contact the Legal Department.

4. PRIVACY AND CONFIDENTIALITY

PRIVACY AND CONFIDENTIALITY OF INDIGO INFORMATION

By virtue of your employment, you have access to information about the Company, such as our business plans, product, new services, pricing, promotions and technology. This information and any other information related to our business, is private and confidential. You must use it only for the exclusive benefit of the Company. The only exception is information we make available to the public, such as press releases, promotional materials or public announcements about new products, services or locations. Any breach of privacy or confidentiality constitutes a breach of your duty of loyalty and is considered a very serious offense. Appropriate action will be taken immediately upon discovery and may include termination.

DISCLOSURE, CONFIDENTIALITY AND INSIDER TRADING

Only the Chief Executive Officer, the Executive Vice President and Chief Financial Officer or the Vice President, Public Affairs are permitted to discuss financial information with analysts, investors, shareholders and the media.

Any communication with the media must be approved in advance by the Vice President, Public Affairs.

Indigo's common shares are traded publicly on the Toronto Stock Exchange and market prices of such securities are influenced by what the public knows about the Company. Investors could gain an unfair advantage from inside, non-public information that could affect an investor's decision to buy, sell or hold securities.

You may come into possession of insider information in the normal course of business, e.g., news about financial results prior to public disclosure, significant management changes, etc. The law forbids the selective disclosure of such material insider information or the purchase and sale of securities by anyone who has such material insider information which has not been made public by the Company by press release.

Trading on or "tipping" others with material non-public information about Indigo threatens our integrity and could result in serious civil and criminal penalties for both you and Indigo.

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If you come into contact with financial material or other information in the course of your work, you are required to be familiar with and abide by Indigo's Disclosure Policy and its Insider Trading Policy, as amended from time to time.

Employees can obtain complete policy details of the Disclosure Policy and the Insider Trading Policy by accessing the Company's intranet site.

PROTECTING EMPLOYEE PERSONAL INFORMATION

As outlined in the Information Security section (on page 9) and applicable Information Security policies, employees are expected to secure and protect private, confidential, sensitive or valuable information; this includes employee personal information.

"Employee Personal information" is information about an identifiable individual that is recorded in any form. For example, employee name followed by birth date, home address, etc. The name, title, business address or telephone number of an employee is not considered private information.

Indigo collects, uses and discloses employee personal information that is reasonably needed to establish, manage or terminate an employment relationship.

Indigo shall not use or disclose employee personal information for purposes other than those for which it was collected, except with the consent of the employee or as required by law. Indigo will retain personal information only as long as necessary to fulfill those purposes.

COLLECTING AND PROTECTING CUSTOMER INFORMATION

Under Canada's Personal Information Protection and Electronic Act (PIPEDA), the protection of customers' personal information is the responsibility of each employee. Personal customer information includes, without limitation, name, home address and home telephone number, email address, credit information, billing records, and product and service use. All employees are expected to safeguard personal customer information and adhere to Indigo's Privacy Policy and all applicable privacy laws.

At Indigo, personal customer information is not to be used or disclosed for purposes other than those for which it was collected, except with the written consent of the customer or as required by law.

In addition to protecting customers' personal information, employees are required to follow Canada's Anti-Spam Legislation ("CASL"), which sets the standards for sending Commercial Electronic Messages ("CEMs") and the installation of computer programs on customers' electronic devices (e.g. cookies).

Employees whose roles include access to confidential customer or employee information have an obligation to know the protocols of information protection, follow such procedures and complete the applicable eLearning modules.

- Employees who have access to credit card data must complete the Information Security Awareness eLearning module upon initial hiring and on an annual basis thereafter; and

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- Employees who gather customer contact information and/or send direct, unsolicited, electronic messages (such as marketing emails) to customers must complete the CASL eLearning module upon initial hiring.

Failure to comply with this section is grounds for disciplinary action, up to and including termination of employment.

Employees can obtain complete policy details by accessing the Company's intranet site.

5. PROTECTION AND PROPER USE OF COMPANY ASSETS

All employees are responsible for protecting the Company's assets from improper use, including fraud, theft, loss, damage, misuse, waste, and carelessness. Company assets include information, materials, merchandise/inventory, supplies, time, intellectual property, software, hardware and facilities. Each employee is obligated to protect all Company assets and promote efficient use of these assets for legitimate business purposes.

FINANCIAL REPORTING

As a publicly traded company, Indigo is required to disclose its business transactions in an accurate, complete, fair and timely manner. To do so, Indigo must maintain the appropriate and effective accounting, auditing and business controls. All business records must be maintained in a manner that fairly and accurately reflect the true nature of the Company's business transactions and its financial performance. It is the responsibility of all employees to ensure all entries are honest and accurate when input into reports, corporate records and disclosure documents. Employees are also expected to fully co-operate with internal and external audit procedures.

If you have concerns regarding the integrity of Indigo's financial records, you are required to report this immediately to your leader, the Executive Vice President and Chief Financial Officer or the Executive Vice President, Real Estate and General Counsel. Concerns may also be reported through the Financial Reporting Issue Hotline (see page 13) or in accordance with the procedures outlined in the Company's Whistleblower Policy.

INTELLECTUAL PROPERTY

It is very important to Indigo's brand and reputation to protect its intellectual property, which includes our trademarks, copyrights, patents, trade secrets, design rights and other intangible industrial or commercial property. All employees must maintain confidentiality of any intellectual property before it is disclosed publicly, as well as ensuring its proper use once it is disclosed.

Indigo respects the intellectual property rights of others, just as we expect them to respect ours. Appropriate consent is necessary to use intellectual property belonging to others. Unlawful use (without permission) is strictly prohibited. For further clarification, please contact the Legal Department.

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Any intellectual property created as a part of an employee's job at Indigo is owned by the Company and not the employee.

INFORMATION SECURITY

As stated previously, employees are expected to protect proprietary information, personal information (employee/customer), etc. shared in the normal course of business. Information security is imperative in Indigo culture.

At Indigo, we encourage the use of information technologies and electronic communications resources. These resources are widely available to our employees to allow for more effective and efficient performance of their work duties.

To prevent disruptions, overload and misuse of these resources and services, the use of Company electronic communications resources is limited to Company business. Limited or occasional use of technology for personal reasons is acceptable as long as it does not negatively impact the ability of others to conduct Company business using that same technology or result in additional cost to the Company.

You must not use e-mail or the Internet to access or distribute material that is discriminatory, harassing, derogatory, obscene, sexually explicit, pornographic, defamatory, threatening, or that is in violation of any applicable licensing agreements and/or copyright laws. Information technologies must not be used for conducting personal business or any type of 'hacking' activity.

As per Indigo's Information Security policies, it is expected that all employees will, secure and protect private, confidential, sensitive or valuable information; whether or not it pertains to an employee, to customers or to the Company. Electronic private, confidential, sensitive or valuable information, unless properly protected or encrypted, should:

- Not be sent over the Internet (e.g. via email, social networking sites or peer-to-peer sites).
- Not be stored electronically on a Company computer hard drive ("C" drive) or other portable or mobile devices such as memory sticks, portable hard drives, on a smartphone, etc.
- Never be sent to department copy machines without activation of secure print and password.

As per Indigo's Information Security policies, employees are expected to comply with the following:

- Only access confidential information that you need and are authorized to see in order to perform your job responsibilities.
- Do not display, review or discuss Indigo confidential information in public places, in the presence of third parties or where you may be overheard.
- Do not transmit Indigo confidential or internal use information outside of Indigo, including to your personal email account.
- Your obligation to protect Indigo confidential information continues even after you leave Indigo.

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Paper based private, confidential, sensitive or valuable information, should:

- Never be left unattended or within open view of others.
- Always be stored under lock and key.
- Always be disposed of using a secure (locked) disposal bin or shredder.

Indigo reserves the right to inspect, monitor and access any information technology or electronic communication in all circumstances. If in doubt about the handling of personal data, employees should consult the Legal or IT Security department.

Employees can obtain complete details of the following policies by accessing the Company's intranet site: Computer Usage Policy and Information Security Policies.

6. RESPECT IN THE WORKPLACE

OPEN DOOR

At Indigo, our people are our most valuable resource. Our employees should always feel that they can bring their best selves to work, share ideas, provide feedback and raise concerns about workplace issues.

We strive to ensure that we have open channels of communication and want to hear from you. We will treat your ideas and concerns with respect and when necessary, will keep information you share confidential.

We encourage you to raise questions and concerns at any time to your leader, General Manager or involve a senior leader if you feel it is warranted. If you are not satisfied with the response or if you are uncomfortable speaking to your leader directly, you can call the **confidential Human Resources Hotline: 1-800-286-9921** and speak to a member of the HR team. We encourage the ongoing participation and involvement of all employees.

All employees are welcome to contact any member of the senior leadership team.

HUMAN RIGHTS

Indigo is committed to providing a workplace where each of us is treated with dignity and respect. Indigo is an equal opportunity employer. As part of our commitment to a successful, respectful and productive work environment, we strictly prohibit all forms of discrimination and harassment.

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DISCRIMINATION

Indigo does not tolerate discrimination on the basis of any of the following factors: race, colour, ancestry, place of origin, ethnic origin, citizenship, gender, sexual orientation, physical or mental disability, age, marital status, appearance, or any other criteria contained in federal and provincial human rights legislation. We also will ensure that all our policies and decisions relating to the recruiting, hiring, promotion, transfer, layoff, termination, development, compensation and any other terms and conditions of employment provide for equal rights and opportunities.

ACCOMMODATION AND ACCESSIBILITY

Indigo is committed to meeting the accessibility needs of persons with disabilities in a timely manner by preventing and removing barriers for persons with disabilities with a view to providing integration and equal opportunities for all. We strive to conduct our business in a way that is accessible, inclusive and responsive to the needs of persons with disabilities, aiming to allow persons with disabilities to maintain their dignity and independence. Indigo complies with all applicable provincial accessibility and disability legislation.

WORKPLACE VIOLENCE, HARASSMENT AND SEXUAL HARASSMENT

Indigo strives to promote a safe environment for all of its employees, free of discrimination, harassment, sexual harassment and violence. These issues are taken very seriously and each incident is thoroughly investigated and appropriately responded to. The Company's Workplace Violence and Harassment Policy outlines the processes and procedures that should be followed in these circumstances.

A safe environment is everyone's responsibility. Employees who witness or have knowledge of workplace violence, harassment or sexual harassment are obligated to report threats, actions or incidents immediately to their leader and the HR Department; if not comfortable speaking with their direct leader, they may contact the next level of leader or call the HR Hotline at 1-800-286-9921. Where necessary, employees should contact the Police or call 911.

Employees can obtain complete policy details by accessing the Workplace Violence and Harassment Policy on the Company's intranet site.

ALCOHOL AND DRUG-FREE WORKPLACE

Our goal is to balance respect for individual privacy with the need to keep a safe, productive and healthy work environment. You may not, while working on our premises or conducting business on behalf of Indigo, during or outside of business hours:

- Possess alcohol, illegal drugs, or drugs not intended for medicinal use.
- Be under the influence of illegal drugs, drugs not intended for medicinal use or alcohol.
- Use, sell, distribute or manufacture any illegal drug.

For Home Office Only

We recognize that as part of occasional celebratory events, a modest amount of alcohol may be consumed on our premises and during work hours, but only if all of the following conditions are met:

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- Advance written approval is received prior to the celebratory event from the Functional Executive (Senior Vice President level and above) and the Executive Vice President, Retail and Human Resources.
- The Functional Executive (Senior Vice President level and above) must be in attendance for the duration of the event.
- Employees will not be performing work duties while alcohol is being consumed and will not be operating machinery of any kind (including, but not limited to, motor vehicles) following the consumption of alcohol.
- The Functional Executive (Senior Vice President level and above) present appropriately considers the provision of transportation options (at no charge) for employees in attendance.

7. SOCIAL MEDIA

Personal websites, social networking sites, blogs, etc. can be effective media for self-expression and discussion. If employees choose to use social media venues and identify themselves as an Indigo employee or promote Indigo products or services, they are requested to make clear to readers that the views expressed are their views alone and that they do not necessarily reflect the views of the Company. When reviewing Indigo products, directing customers to Indigo or encouraging sales, employees must use the following hashtag: #IndigoEmployee. Please keep in mind that customer issues are to be directed to Indigo's Customer Service Team, and employees should never respond to the media, as all media inquiries should be directed to the Public Relations Department (see "Disclosure, Confidentiality and Insider Trading" section on page 6).

Personal websites, social networking sites and blogs are public spaces and Indigo expects that employees will be respectful to co-workers, the Company, our customers, partners and affiliates and others. Employees have an obligation not to discriminate against or harass co-workers, or third parties who deal with the Company in accordance with the Company's Workplace Violence and Harassment Policy.

Employees are prohibited from participating in discussions on matters pertaining to the Company's activities (other than matters already publicly disclosed) or its securities on the internet or through any social media platform. They must not disclose confidential or proprietary information on a website or in a blog. To do so will result in the employee being disciplined up to and including termination for just cause.

Employees can obtain complete details of the Social Networking and Blog Policy by accessing the Company's intranet site.

8. HEALTH AND SAFETY

Indigo is committed to providing a safe and healthy work and retailing environment for our employees and customers alike. This commitment begins with our focus on prevention of occupational illness and injury and the goal of realizing an accident-free workplace achieved through effective administration, education and training. Furthermore, we strive to eliminate all potential hazards that pose a risk of loss to Company property.

It is the responsibility of all employees to comply with health and safety requirements, including legislative requirements and Indigo policies and procedures. All employees are required to participate in applicable health and safety training and to immediately report any incident, potential incident, injury or illness to management.

All employees are called to work together to prevent unwanted losses and personal injuries or illnesses, protecting themselves, as well as others.

Employees can obtain complete Health and Safety policy details by accessing the Company's intranet site.

9. WAIVER OF THE CODE

Any waiver of the Code may only be permitted by the Board (or a Committee of the Board as delegated) and will be promptly disclosed to the extent required by law or stock exchange regulation.

10. REPORTING PROCEDURES

All employees have an ongoing responsibility to report in good faith any activity appearing to be in breach of this Code or any laws/regulations. The Company does not allow retaliation of any kind against individuals for reports submitted in good faith. Employees will not be discriminated against, penalized, dismissed of their duties or suspended because they have reported, in good faith, an activity that could constitute a breach of this Code or if they provided information or assistance for an investigation of a violation of the Code.

If you believe that a violation of this Code has occurred, we encourage you to report it immediately to:

- Your leader (if preferred, your leader's manager);
- Your HR representative;
- **HR Hotline (1-800-286-9921)**;
- **Loss Prevention Silent Witness Hotline (1-866-789-2652)** (for store-related theft or vandalism issues); or
- **Financial Reporting Issue Hotline (AuditCommitteeChair@indigo.ca)**.

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The Financial Reporting Issue Hotline is in place to allow you to report any accounting issues that you feel cannot be resolved by a member of the Finance or Accounting management teams. As per the Company's Whistleblower Policy, the Chair will report to the Audit Committee regarding the issue and its investigation, as well as its results/resolution.

An employee may make an anonymous report if they are not comfortable coming forward otherwise. Please note that it is more difficult to conduct a thorough investigation if the identity of the employee is not known and not available for further information, clarification, details, etc. as may be required as part of the investigation.

If the situation requires that individuals be identified and if requested by the employee, matters will be handled in the strictest confidence possible to complete a proper investigation.

Each report received will be acknowledged, tracked and thoroughly investigated internally by senior management, the Board, or a Committee of the Board, or referred to the proper external authorities. Complainants will be kept abreast of the investigation process and will be provided with information regarding any outcome or resolution.