Indigo Books & Music Inc.

Annual Information Form

For the fiscal year ended April 3, 2021

June 1, 2021

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FORWARD-LOOKING INFORMATION

This Annual Information Form for Indigo Books & Music Inc. and its subsidiaries (collectively, "Indigo" or the "Company") contains forward-looking information within the meaning of Canadian provincial and territorial securities laws. Forward-looking information in this document includes, among other things, statements related to:

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

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

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

Although the Company believes that the expectations reflected in such forward-looking information are reasonable, such information involves risks and uncertainties, and undue reliance should not be placed on such information. Certain factors or assumptions are applied in making forward-looking information, and actual results may differ materially from those expressed or implied in such information. In particular, the ongoing COVID-19 pandemic has had and is expected to continue to have a material impact on the Company's business, operations and financial performance, the magnitude of which cannot be quantified at this time because of the significant uncertainty associated with: the extent, duration and severity of the pandemic itself; the ongoing impact of government restrictions, effects on consumer behaviour and other factors resulting from the pandemic which are beyond the Company's control; and the Company's ability to mitigate such impacts. Investors should also refer to the Company's description of certain impacts of the ongoing pandemic below in "Statement on COVID-19".

Information about factors or assumptions that could cause actual results to differ materially from expectations and that are applied in making forward-looking information may be found in this document under "Risk Factors" as well as under "Risks and Uncertainties" in the Company's Management Discussion

& Analysis (the “MD&A”) for the 53 weeks ended April 3, 2021, and elsewhere in the Company’s filings with Canadian securities regulators.

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

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

STATEMENT ON COVID-19

In December 2019, COVID-19 surfaced in Wuhan, China. The World Health Organization declared a global emergency on January 30, 2020, and then characterized the outbreak as a pandemic on March 11, 2020. Shortly thereafter, numerous jurisdictions declared states of emergency and imposed restrictions such as closures, quarantine policies and social distancing measures, negatively impacting the Company’s retail operations, distribution centres, and head office operations. During this period, the communicable disease spread globally, with active outbreaks continuing in communities across Canada and the United States.

The Company undertook the following actions in fiscal 2021 in response to COVID-19:

- Participated in rolling closures of its retail network, as directed by local governments and public health authorities, commencing on March 17, 2020 and continuing throughout fiscal 2021. This included extensive closures during the peak holiday sales season, with province-wide closures in Ontario, Quebec and Manitoba by the end of the Company’s third quarter.
- Recognized $15.5 million of COVID-19 occupancy expense abatement as a direct response to the economic impact of the COVID-19 pandemic, including amounts recognized in accordance with the IFRS 16 *Leases* ("IFRS 16") practical expedient for COVID-19 rent concessions. The Company continues to negotiate with landlords regarding abatement to share the financial burden of COVID-19.
- Applied for the Canada Emergency Rent Subsidy (“CERS”) program and recognized rent subsidies of $1.1 million.
- Applied for the Canada Emergency Wage Subsidy ("CEWS") program and recognized payroll subsidies of $27.4 million.
- Reduced forward inventory purchases and processed returns on unproductive book purchases to suppliers at full credit, while maintaining an optimized assortment.
- Accelerated its digital road map and launched curbside pick-up and a partnership with Instacart to alleviate demand on the Company’s distribution centres, and to protect the health and safety of the Company’s customers, employees and communities.
- In response to capacity constraints at national carriers due to sustained e-commerce delivery volumes, in particular throughout the holiday period, the Company significantly increased the number and network of parcel carriers it employs to deliver e-commerce orders.
- Entered into a $25 million related party revolving credit facility to protect the Company's liquidity. No advances were made on the non-interest bearing facility, which matured on February 1, 2021.
- Regularly reviewed the Company's COVID-19 protocols, at times implementing practices above the standards set out by public health authorities, in response to the rising COVID-19

cases across several regions. These include enhanced cleaning and social distancing protocols, mandatory masks for all employees and customers, the closure of washrooms in stores, and temperature checks across all the Company's distribution centres, among others.

The Company's top priority remains the health and safety of its customers, employees and communities, and extensive health and safety measures have been employed that meet or exceed the guidance and direction from public health authorities.

Future Developments

The COVID-19 pandemic has negatively impacted the economy and consumer spending, disrupted supply chains, and created significant volatility in financial markets on a global scale, the extent of which will depend on future developments that are highly uncertain and cannot be reliably forecasted.

These future developments include new information regarding vaccination, disease immunity, emerging actions taken to contain the virus, the recurrence of waves of significant infections, as well as ongoing consumer fears about the disease that could adversely affect traffic to Indigo's stores and demand for its products, among others.

The foregoing statement on COVID-19 is not an exhaustive description of the actual or potential impact of the COVID-19 pandemic on the Company. Given this unprecedented period of uncertainty, there can be no assurances regarding: the closure status of retail locations as a result of COVID-19; the COVID-19-related impacts on the Company's business, operations and performance; credit, foreign currency, and liquidity risks generally; and other risks inherent to the Company's business and/or factors beyond its control which could have a material adverse effect on the Company. Investors should also refer to the risks described below under "Risk Factors".

CORPORATE STRUCTURE

NAME, ADDRESS, AND INCORPORATION

Indigo was formed by the August 16, 2001 amalgamation of Chapters Inc. and Indigo Books & Music Inc. and is governed by the *Business Corporations Act* (Ontario). Subsequently, Indigo amalgamated on April 3, 2004 with Chapters Online Inc., and amalgamated on April 3, 2005 with CCBC Holdings (2001) Inc. and 1526656 Ontario Limited. Previously, Chapters Inc. was formed by the April 11, 1995 amalgamation of Coles Book Stores Limited and FICG Inc. All amalgamations were made pursuant to the laws of Ontario.

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

PRINCIPAL SUBSIDIARIES

The following table identifies the names of the principal subsidiaries of the Company as of June 1, 2021, the percentage of voting shares owned by Indigo and the jurisdiction of incorporation or continuance of each such subsidiary.

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

GENERAL DEVELOPMENT OF THE BUSINESS

Since 1997, Indigo has been its customers' self-declared "Happy Place" — today, it is a rich environment filled with books, toys, gifts, wellness and lifestyle products, and the creative, service obsessed people who help make it all happen. Indigo has always believed in living life fully and generously, in being kind to each other and to the environment, and that stories — big and little — really do connect us all to each other.

Indigo is on a mission to support their customers and employees, every day and at key life stages by simplifying their journey to live with intention. With a meaningfully curated assortment and expert advice from the Indigo team, the Company's operating principles endeavour to empower customers to actively identify what they value the most and supporting them to live in alignment to those values. As the retail landscape has shifted over the past two decades, Indigo's leading in-store and digital experience has evolved to align to the changing needs of its employees, customers, and the communities we serve.

The Company's priorities over the past three years and key strategies moving forward include offering a meaningful and curated assortment of products, driving a customer inspired retail transformation, redefining Indigo's digital presence and developing a high performing and engaged organization.

OFFER A MEANINGFUL AND CURATED ASSORTMENT

Indigo celebrates culture-makers and creators including authors, artists, designers, chefs, musicians, and thought leaders. For consumers looking to invest in the well-being and betterment of themselves and their loved ones, Indigo is a retailer that provides access to the books, products, and community, that support them in their journey. With books at the core, Indigo leverages a global network of authors and industry experts to provide a trusted one-stop shopping experience as a partner through all of life's key moments — from baby's first steps to graduation, first home to the empty nest. All provided with a combination of thoughtful curation, extraordinary convenience, and world class service.

Indigo's meaningfully curated assortment is supported by the Company's design and global sourcing teams that lead the creative development of Indigo's proprietary merchandise. In fiscal 2020, to further integrate the design and global sourcing teams and enhance its proprietary offerings, the Company closed its New York design studio and relocated the design and global sourcing functions to Indigo's head office in Toronto. In fiscal 2021, the company successfully expanded its proprietary brands, which now include OUI STUDIO™ and OUI Design (collectively "OUI"), LOVE & LORE®, Auria™, notà™, Wonder Co.™, Mini Maison™ and The Littlest™. These brands extend across the Living, Wellness, Fashion, Paper, Kids and

Baby categories. The Company is committed to adapting and improving its proprietary product development capability, as well as expanding its curated assortment of coveted third party brands.

DRIVE A CUSTOMER INSPIRED RETAIL TRANSFORMATION

Commencing in 2017, the Company began transforming its physical stores as part of the rollout of a new store concept, with a focus on being a truly inspirational destination. Indigo's stores reflect its transformation from a bookstore to a *Living with Intention™* hub; a physical and digital meeting place inspired by and filled with books, music, art, ideas, and beautifully designed lifestyle products.

The distinction between physical retail and digital retail has evolved and customers expect to have a seamless experience with the Indigo brand, regardless of channel. Recognizing this, the Company is continuing to focus on digital innovation and an exceptional customer experience, that meets them where they are. In fiscal 2020, the Company launched an express pick-up checkout solution, which allows customers to order online and pick up their order in store within the same day. Fiscal 2021 saw meaningful investment in this express pick-up solution to broaden its functionality and provide a more intuitive check-out experience, and it has become a critical delivery solution through the COVID-19 pandemic. In the past year, the Company also launched curbside pick-up to allow for contactless sales transactions and commenced a partnership with Instacart where customers can have their orders delivered in less than two hours in the markets that Instacart services.

In fiscal 2019 and 2020, the Company opened four new stores and renovated or rebranded 16 stores in order to improve the customer experience and product offerings across key categories. This included the opening of a store in Short Hills, New Jersey, to gather learnings regarding American customers' engagement with the Indigo brand. In fiscal 2021, in light of COVID-19 the Company accelerated its review of its real estate portfolio and closed 20 small format stores. The Company will continue to assess how the impacts of COVID-19 will reshape the physical retail landscape to reimagine the Indigo store of the future.

REDEFINE INDIGO'S DIGITAL PRESENCE

In addition to reshaping Indigo's physical store offerings, the Company continues to invest heavily in its digital platforms and digital presence, to bring inspirational content and product to customers with a best-in-class shopping experience.

Over the past three years, the Company's digital sales platforms have advanced dramatically, offering customers an improved and simplified shopping experience. The digital channels offer customers access to over 15 million book titles, along with a meaningful curated assortment of general merchandise, all to simplify the customers' journey to *Living with Intention™*. To achieve this, the Company expanded the Calgary distribution center in 2020 to better serve online customers in Western Canada and launched a new product information management system to provide the foundation for an enhanced digital experience. The COVID-19 pandemic has placed limitations on the Company's ability to conduct business as normal and has accelerated existing plans for digital modernization. The abrupt pivot to digital across the entire organization included optimizing the website experience, customer service automation, enhancing an express pick-up offering, and expanding the Ontario distribution centre to manage increased online order volume, among others. Ultimately, the Company has focused on providing customers safe and efficient access to the products that bring them joy during these difficult times.

Optimizing the Company's *plum®* loyalty program continues to be a key focus of the business. The Company has a two-tiered loyalty program; *plum®*, a free points-based tier; and *plum® PLUS*, an annual fee-based tier which was launched on a national scale in fiscal 2020, replacing the Company's *irewards®* program. As an annual fee-based program, *plum® PLUS* offers free shipping, member discounts, and exclusive offers as incremental benefits to the redeemable points offered on almost all products purchased. This membership tier has delivered on engaging Indigo's best customers, in addition to driving frequency and a meaningful lift in average transaction values. The success of this program continues to deepen the Company's understanding of its customers, as well as offers direct marketing and other compelling communication opportunities. Going forward, the Company will continue to strengthen its capabilities to personalize each member touch point, providing a rich omni-channel shopping experience.

In the third quarter of fiscal 2020, Indigo launched *www.thoughtfull.co*, a gifting site dedicated to helping customers find unique and meaningful gifts. Thoughtfull™ provides a last-minute gifting solution with digitally fulfilled delivery for its assortment of giftable experiences, services, and subscriptions. In fiscal 2021, Thoughtfull™ has continued to be a platform to virtually service customers, while providing further insight to Company about customers' experiential purchasing patterns.

With a focus on inspiring and attracting customers, the Company has built a strong social media presence across Facebook, Instagram, LinkedIn, Pinterest, Twitter, and TikTok with over half a million followers on Facebook and over 400,000 on Instagram. Some of the locations in the Company's retail network have their own community social profiles, which further enhances customer engagement. In fiscal 2021, the Company launched a podcast titled *Well Said*, connecting customers to the trusted voices in well-being to hear meaningful conversations about the art and science of living well to help them live with purpose and intention.

DEVELOP A HIGH PERFORMING, ENGAGED ORGANIZATION

While a key focus of the Company's business is evolving to meet the emerging needs of customers, Indigo is also focused on becoming the best rewarding retail employer in Canada. The Company's continued evolution and new business strategies are supported by driving a high-performance growth culture and aspiring for operational excellence.

The Company's ambition is to be the best rewarding retail employer, not only in pay, but in a holistic view of the employment relationship that includes a sense of purpose, meaningful relationships, benefits, and flexible work opportunities. This Company-wide initiative focuses on driving engagement, high performance, and operational excellence, while removing inefficiency from the Company's work processes. The Company is focusing on the development of high-performing teams where individuals are encouraged to chart their own career paths and apply their strengths to meaningful work, allowing them to bring their best selves to work. This work involves partnerships across all areas of the Company and is expected to continue to evolve over the next several years.

In fiscal 2021, Indigo continued to attain a record-high employee engagement score of 87%, as well as receiving external acknowledgment of its positive employee and customer experience. Indigo received a Diversity and Inclusion award in 2019 from *Universum*, an organization that annually surveys over 1,700,000 students and professionals worldwide. For the 2019 Canada edition of the award, 23,000 students from more than 150 Canadian colleges and universities were asked to rank employers on *Universum*'s Diversity & Inclusion Index. Indigo ranked in the top 25 out of 140 employers from different industries in both the Business and Liberal Arts/Humanities categories. This award recognizes companies perceived by students across Canada to be the most diverse and inclusive employers in the country.

Indigo's high performing teams' resilience and strong embodiment of the Company's values allowed the business to successfully respond to the ever-evolving challenges introduced by COVID-19 in fiscal 2021.

DESCRIPTION OF THE BUSINESS

Indigo is Canada's leading book and lifestyle retailer, offering a curated assortment of books, gifts, baby, kids, wellness and lifestyle products, that support their customers every day and at key life stages by simplifying their journey to live with intention. The Company's stores are in all ten provinces and one territory, and are seamlessly integrated with www.indigo.ca and its mobile app. The company's digital channels are an extension of the physical stores and offer customers an expanded assortment which includes access to over 15 million book titles, along with a meaningful curated assortment of general merchandise. Indigo operates its stores under the names *Indigo*, *Chapters*, *Coles*, *Indigospirit*, and *The Book Company*. Through Indigo Cultural Department Store Inc., its wholly owned subsidiary, the Company also carries on retail operations in the United States, operating one retail store in Short Hills, New Jersey. The Company also offers a marketplace assortment of giftable experiences, services, and subscriptions on *www.thoughtfull.co*.

PRODUCT CATEGORIES

Books

In this age of technology, reading is foundational to *Living with Intention™*. With the mission of connecting individuals to books they will richly enjoy, Indigo offers its customers access to over 15 million books on its digital platforms and tens of thousands of titles in-store, with localized assortments that reflect the communities in which the Company operates.

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

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

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

General Merchandise

While books anchor Indigo's life-enriching approach to retailing, they are complimented by a general merchandise assortment aligned to the Company's *Living with Intention™* product philosophy. Defined by a meaningfully curated assortment of coveted brands and exclusive, proprietary product lines, management believes that this strategy allows the Company to better serve its market, resulting in higher revenues and profitability. The Company operates in Living, Wellness, Fashion, Paper, Kids and Baby product categories, and its proprietary brands include OUI STUDIO™ and OUI Design (collectively “OUI”), LOVE & LORE®, Auria™, notà™, Wonder Co.™, Mini Maison™ and The Littlest™.

Product selection, buying and price-setting activities for the general merchandise business are centralized at Indigo’s head office in Toronto, Ontario. These activities seek to ensure that Indigo identifies a balanced mix between desirable third-party branded (“national brand”) products and the Company’s proprietary private label products. Indigo employs inventory management strategies that analyze sales data to maintain adequate inventory levels and maximize full-price sales through its sales channels.

The Company’s design and global sourcing team develops proprietary merchandise exclusively for Indigo. This talented in-house team is based out of the Company’s head office in Toronto and works closely with the Company’s merchandising team to create products that broaden and deepen the assortment at compelling product margin rates and serve to differentiate Indigo from other retailers. The majority of the Company’s proprietary product assortment is globally sourced.

The Living product category has a renewed assortment focus that directly supports the customer’s journey towards *Living with Intention™*. For Living, this is a focus on a sustainable lifestyle and on solving customer pain points in their quest to create a beautiful, inspired home. The Company has offerings in home décor, tabletop and kitchen accessories, and gourmet categories. In fiscal 2021, Indigo launched its proprietary brand, OUI, which delivers thoughtfully designed living solutions that make room for life. The breadth of offering from the OUI portfolio will range across sleep and bedding, storage and organization, sustainable living, and functional kitchen categories.

The Wellness product category seeks to inspire and connect customers with the books, experts, products, and experiences to support their quest for optimal wellness. This is realized through a content strategy across personal care, fitness, and healthy eating, paired with a compelling merchandise assortment from both traffic-driving national brands and the Company’s proprietary brand, Auria™.

The Fashion product category is merchandised under the A Room Of Her Own® shop within the Company’s channels, and primarily focuses on the female customer. This category includes an assortment of sleep and loungewear, bags, small accessories and travel accessories. The majority of sales for the category are driven by the Company’s proprietary fashion brand, LOVE & LORE®.

The Paper product category has expanded in fiscal 2021 into categories that experienced a resurgence amid the pandemic, including home office furniture, arts and crafts, and party décor. The Company has also introduced its proprietary brand nóta™, a new collection of sustainably designed notebooks and journals, made from FSC-certified paper and recycled materials. The assortment is rounded out by intelligently designed products ranging across stationary, journals, calendars and gift wrap.

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

SALES CHANNELS

Retail Stores

The Company believes that its portfolio of stores in core retail locations across Canada is a significant factor contributing to ongoing sales performance. The following table describes the geographic distribution of the Company's retail stores by brand as at April 3, 2021:

Location	Chapters	Indigo	Indigospirit	Coles	The Book Company
Newfoundland & Labrador	1	-	-	3	-
Prince Edward Island	-	1	-	1	-
Nova Scotia	2	-	2	8	-
New Brunswick	2	1	-	2	-
Quebec	-	4	-	1	-
Ontario	16	27	9	29	1
Manitoba	2	1	-	2	-
Saskatchewan	-	2	-	4	-
Alberta	9	8	6	6	-
British Columbia	3	8	1	13	-
Yukon	-	-	-	1	-
USA	-	1	-	-	-
TOTAL:	**35**	**53**	**18**	**70**	**1**

As mandated by local governments and public health authorities, in response to COVID-19 the Company commenced rolling temporary closures of its retail network on March 17, 2020. These rolling store closures impacted the retail network for much of fiscal 2021 and included closures during the peak holiday sales season, with province-wide closures in Ontario, Quebec and Manitoba at the end of the Company's third quarter. For more information, please see the "Statement on COVID-19" above.

Superstores

As at April 3, 2021, the Company operated 87 superstores in leased locations throughout Canada, as well as one store in the United States, in Short Hills, New Jersey. These leased locations have a total selling area of over 2,000,000 square feet. Averaging 23,000 selling square feet each, the stores are designed to be destinations for culture-seekers, offering inspiring environments conducive to browsing and community-building.

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

Small Format Stores

As at April 3, 2021, the Company operated 89 small format stores in leased locations with a total selling area of nearly 250,000 square feet. Small format stores average approximately 2,800 selling square feet and are typically located in retail shopping centres, street-front retail areas, and central business districts. Traditionally focused on carrying a wide range of popular books, the product mix in these stores has been expanded to include paper products and a limited selection of general merchandise, toys and baby products. Customers can also order a wider selection of products via kiosks located within the store. The expanded range of non-book products in small format stores is part of the Company's continued focus on being a top-of-mind gifting destination for Canadians.

Digital Platforms

Indigo's digital platforms are designed to provide customers with a seamless omni-channel shopping experience and to bring to life a digital happy place. Customers can experience Indigo's digital platforms through *www.indigo.ca*, the Indigo mobile app available on Android and iOS, in-store kiosks, and through the Company's partnership with Instacart. The Company also offers a marketplace assortment of giftable experiences, services, and subscriptions on *www.thoughtfull.co*, which is promoted on the Company's primary digital platforms.

These digital platforms provide a rich user experience, promoting customer loyalty and repeat purchases with an engaging experience that encourages customers to return frequently. In addition to offering an expanded assortment from the Company's retail offering and a digital wish list ideal for gift registries, the Company's digital platforms offer a range of shipping options and easy returns. Online purchases can be shipped to any of the Company's stores, free of charge, or fulfilled by a local store's inventory through an express pick-up option, with returns being accepted at the Company's nation-wide store locations or shipped back to its distribution centres. The Company's mobile application also offers a number of competitive features that enhance the omni-channel customer experience, such as scanning product in-store for online purchase and shipping to the customer's or gift recipient's home.

In fiscal 2021, the online channel represented approximately 41% of the Company's revenue, compared to 17% in fiscal 2020. The Company experienced a significant acceleration of online sales commencing in late March 2020, as customers embraced e-commerce at an unprecedented rate. While this was fueled by retail store closures and government stay-at-home orders in response to the COVID-19 pandemic, the Company believes that these conditions created a tipping point that may fundamentally change consumer shopping behaviour. As of the date of this Annual Information Form, the Company's online channel continues to experience significant growth in comparison to pre-pandemic periods, though no assurance can be provided regarding the sustainability of this demand. See also the Company's description of certain impacts of the ongoing pandemic described above under "Statement on COVID-19".

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

LOYALTY PROGRAMS

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

Indigo's loyalty program, *plum®* has two tiers: *plum®*, a free points-based tier; and *plum® PLUS*, an annual fee-based tier. The *plum®* program is an omni-channel program that allows members to earn and redeem points online and in-store, seamlessly. This program engages members through mass promotions and targeted one-to-one promotional offers, as well as invitations to exclusive events and member-only shopping experiences. The Company launched the *plum® PLUS* membership program in fiscal 2020, replacing its former annual fee-based *irewards®* program. *plum® PLUS* offers its members an immediate discount on eligible products, free shipping, and the ability to earn points on almost every dollar spent at the Company's Canadian stores, as well as on its digital platforms.

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

INTELLECTUAL PROPERTY

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

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

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

TALENT

Indigo was founded by Heather Reisman, the Company's Chair and Chief Executive Officer. Ms. Reisman created Indigo with a desire to bring a unique cultural destination to the Canadian retail marketplace. Effective February 1, 2021, Peter Ruis joined the Indigo team as President. Mr. Ruis is responsible for leading the Executive Team, fundamentally reshaping Indigo as a *Living with Intention™*

company, and transforming the Indigo business model while elevating the brand and driving profitable growth. He brings to Indigo a strong digital and omni-channel track record, with over 30 years of retail experience.

In order to deliver on its commitment to being a *Living with Intention™* company, Indigo focuses on cultivating high-performing and engaged teams. Despite the continuous challenges associated with the COVID-19 pandemic, the Company's talent continued to demonstrate their commitment and passion to the organization. Throughout fiscal 2021, the Company employed an average of approximately 5,000 people (on a full-time, part-time and casual basis) across its retail stores, distribution centres, head office and support offices. The number of part-time employees in the Company's retail stores and distribution centres fluctuates based upon seasonal demand and capacity constraints associated with COVID-19.

The majority of Indigo's employees are not subject to a collective bargaining agreement. In fiscal 2021, the non-management employees at four Indigo retail stores voted to unionize. A collective bargaining agreement is in place for one of the locations and the Company is currently negotiating collective bargaining agreements for the remaining three locations. For additional information, please refer to the section "Risk Factors – Labour Relations".

INFORMATION SYSTEMS

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

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

The Company maintains a centralized enterprise resource planning (ERP) system to enable all supply chain and finance functions. The technology team also supports all of Indigo's in-store technology, including mobile tools for the Company's workforce, kiosks and point of sale (POS) systems. The Company's digital platforms are built and maintained internally.

SUPPLY CHAIN

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

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

In fiscal 2021, the Company has dedicated tremendous focus and effort to expand final mile capacity, as this is a critical part of the supply chain, and has provided agility, scale and flexibility to support the unprecedented current demands to the online channel.

SEASONALITY

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

For fiscal 2021, revenue and net earnings (loss) may not follow historic patterns of seasonality due to the impacts of the COVID-19 pandemic.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Environmental Sustainability

Indigo is committed to moving quickly and with determination towards a sustainable future. The Company announced its commitment to have net-zero emissions by 2035. In fiscal 2021 the Company kicked off "Write The Future – Indigo Sustainability Initiative," with a full assessment of its operational carbon footprint and a number of immediately implementable actions. It is now in the process of completing a full assessment of emissions from its products. The Company's full net-zero baseline and annual targets will be released in October 2021.

Indigo will focus its end-to-end sustainability efforts in three areas:

1. The Company's private branded product including OUI, Auria™, LOVE & LORE™, nóta™, Wonder Co.™, Mini Maison™ and The Littlest™
2. Influencing national brand product suppliers
3. Facilities and operations

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

Diversity, Equity and Inclusion

Indigo is a company where connectedness and belonging are inherent in its corporate culture and the Company uses its platforms with the intention to amplify the voices of diverse communities. In addition to prioritizing diversity at the Board level, the Company has hired a dedicated resource to lead its diversity, equity and inclusion ("DE&I") agenda and develop the Company's strategy that will see the Company expand on its existing commitments. Indigo is committed to offering a workplace where every individual feels like they belong and are able to be their best selves. In fiscal 2021, the Company laid the groundwork for diversity awareness and allyship through foundational DE&I learning activities, Town Hall sessions, executive leadership DE&I immersion, and further accountability through a governance structure consisting of an employee diversity council, a dedicated DE&I lead, and an executive sponsor. A partnership with the Canadian Centre for Diversity and Inclusion ("CCDI") continues to support Indigo's efforts towards greater inclusion and equity in the workplace.

Indigo continues to advance its objectives through its DE&I strategy, which is a three-year plan that will help the Company achieve its business and people goals. The strategy identifies priorities and actions, as well as outlines bold measures to track DE&I progress and success. Along with the support of executive management, priorities for fiscal 2022 include an employee census and the formation of internal employee resource group networks.

In October 2021, the Company became the first major Canadian retailer to sign the "15 Percent Pledge", committing to increase its representation of books written by Black, Indigenous and People of Colour ("BIPOC") authors and BIPOC owned third-party brands for its lifestyle business to a benchmark of 15 percent. In February 2021, the Company signed the BlackNorth Initiative Pledge to take action to end systemic anti-Black racism. Actions and goals outlined in the Pledge being implemented or planned include engaging the Black community and delivering unconscious bias and anti-racism training.

Responsible and Ethical Sourcing

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

Children's Literacy and Community Outreach

The Company supports a separate registered charity, called the Indigo Love of Reading Foundation (the "Foundation"), which is committed to addressing the underfunding of Canadian elementary school libraries and the resulting literacy challenges children face in such schools. The Foundation's goal is to raise awareness of the lack of funding in Canadian schools and close the budget gap by providing new books and educational resources to children in need across Canada. The Foundation accomplishes this goal through its $1.5 million annual Literacy Fund grants and its grassroots Indigo Adopt a School program that unites Indigo staff, local schools, and their communities to raise money for new and engaging books for elementary school libraries. Most recently, in the wake of the COVID-19 pandemic and the unprecedented nation-wide school closures, the Foundation committed $1.0 million to provide books to families in need. With the support of the Company, its customers, employees, and suppliers, the Foundation has committed over $33 million to more than 3,000 high-needs elementary schools across Canada since 2004. The Foundation is dedicated to putting books in the hands of children to support a lifelong love of reading.

RISK FACTORS

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

The Company cautions that the following discussion of risk factors that may affect future results is not exhaustive, including those related to the impact of the COVID-19 pandemic on the Company's business, operations and performance. The Company's performance may also be affected by other specific risks that may be highlighted from time to time in other public filings of the Company, which are available on the Canadian securities regulatory authorities' website at *sedar.com*. When relying upon forward-looking information to make decisions with respect to the Company, investors and others should carefully consider these factors, as well as other uncertainties, assumptions, potential events, industry, and Company-specific factors that may adversely affect future results. The Company assumes no obligation to update or revise previously filed public documents to reflect new events or circumstances, except as required by law.

COVID-19 RISK

The COVID-19 pandemic introduced a number of risks and uncertainties for the Company's business, which could significantly impact the Company's results of operations going forward and the forward-looking statements made herein.

The duration and severity of the COVID-19 pandemic remains uncertain as does its adverse, long-term impact on the Company. Any estimate of the length and severity of these developments is therefore subject to significant uncertainty, and accordingly estimates of the extent to which the COVID-19 pandemic may, directly or indirectly, materially and adversely affect the Company's operations, financial results and condition in future periods are also subject to significant uncertainty.

Investors should also refer to the Company's description of certain impacts and a number of evolving operational risk management strategies undertaken to manage the ongoing pandemic described above under "Statement on COVID-19".

ECONOMIC ENVIRONMENT

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

COMPETITION

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

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

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

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

CONSUMER TRENDS

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

STRATEGIC INITIATIVES AND GROWTH STRATEGY

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

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

CORPORATE REPUTATION

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

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

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

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

KEY BUSINESS RELATIONSHIPS

Indigo relies heavily on suppliers in order to sell books and general merchandise on acceptable terms and within agreed upon timelines. These suppliers are impacted by, among other things, increases in labour and input costs, labour disputes and disruptions, regulatory changes, political or economic instability, natural disasters, trade restrictions, tariffs, currency exchange rates, transport costs, and other factors including the closure of national borders and disruption of merchandise deliveries due to the effects of the COVID-19 pandemic. Collectively and individually, these factors are beyond the Company's control and a failure to maintain favorable terms and relationships with these suppliers, or the absence of key suppliers, may affect the Company's ability to compete in the marketplace. As Indigo continues to source a greater portion of its products from overseas, events causing disruptions to imports, changes in trade restrictions and tariffs, or currency fluctuations could negatively impact the Company's revenues and margins. To date, the Company has not experienced any significant difficulty in obtaining merchandise and considers its sources of supply to be adequate, however, the Company's flow of merchandise could be affected by the COVID-19 pandemic.

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

As e-commerce continues to become a larger component of the Company's omni-channel business, Indigo relies on third-party logistics partners to fulfill sales transactions with its customers in a dependable and timely manner. Changes in geographic coverage, service levels, capacity levels, and labour disruptions at the Company's logistics partners, including as a result of COVID-19, may adversely affect Indigo's business and financial results.

WORKPLACE HEALTH AND SAFETY

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

During the COVID-19 pandemic, the health and safety of the Company's customers, employees, and communities have remained a top priority in the face of evolving workplace risks and practices. The Company has put in place and employed extensive health and safety measures across all of its operations based on the guidance and direction from public health authorities. If government authorities introduce more stringent health and safety laws, the Company may incur additional costs to comply with these requirements, which may have an adverse impact on the Company's financial results. Further, if the Company is unable to meet the current or future health and safety laws, regulations and industry standards related to COVID-19, or despite the Company's efforts and precautions, employees are exposed and infected by the COVID-19 virus, it could have an adverse effect on the Company's ability to re-open and operate its stores, maintain operations at its distribution centres, or reopen and operate its head office, all of which could have an adverse effect on the Company's operations, corporate reputation and financial performance.

REMOTE WORK

In addition to temporary rolling closures of its retail locations, in response to the COVID-19 pandemic the Company also had to close its head office and implement a remote work program to maintain its operations. While head office employees are generally able to perform their functions in a remote setting from their homes or other locations, certain additional risk factors may negatively impact the Company's ability to perform its operations efficiently, securely and without interruptions. These risk factors, any of which could have an adverse effect on the Company's operations and financial performance, include: increased cybersecurity threats while duties are performed outside the Company's regular offices; increased dependence on telecommunication links such as Internet access in employees' homes; decreased efficiency due to the change in equipment and network speeds used for data processing and use; the timely dissemination and exchange of information in a remote workforce environment; the dependence on certain functions that are difficult to efficiently conduct outside a regular workplace; and the degradation of the Company's culture and negative impacts to employee engagement and well-being.

TALENT

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

LABOUR RELATIONS

The majority of the Company's employees are not subject to a collective bargaining agreement. Unions may attempt to organize and represent the Company's employees. Responding to union organizing activities may divert attention and efforts of management and employees and may have a negative financial impact on individual stores, distributions centres, or on the business as a whole. The maintenance of a productive, engaged and efficient labour environment cannot be assured and if a significant number of employees were to become unionized, it could adversely affect the business, financial condition or results of operations of the Company. In addition, a labour dispute or work stoppage involving some or all of the Company's employees may harm Indigo's reputation, disrupt its operations, and reduce its revenues, and resolution of disputes may increase its costs.

In fiscal 2021, the non-management employees at four Indigo retail stores voted to unionize. A collective bargaining agreement is in place for one of the locations and the Company is currently negotiating collective bargaining agreements for the other three locations, the outcome of which is not yet known, nor is the timing of completing such agreements. Failure to successfully negotiate collective agreements can lead to labour disruptions and could adversely affect Indigo's reputation, financial performance and retail operations.

INVENTORY MANAGEMENT

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

PRODUCT QUALITY AND PRODUCT SAFETY

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

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

SUPPLY CHAIN

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

LIQUIDITY RISK

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

However, cash flows from operating activities could be negatively impacted by decreased demand for the Company's product offerings, which could result from factors such as, but not limited to: adverse economic conditions resulting from the COVID-19 pandemic and associated changes in consumer preferences; the impact of social distancing policies and general public health sentiment on retail store traffic; and the Company's ability to safely fulfill orders through its online distribution network. Operating cashflows could also be negatively impacted by increased expenses, and although the Company has a greater ability to alter its cost structure in response to such event, the effectiveness and timing of which cannot be guaranteed.

Based on the Company's current business plan, liquidity position, cash flow forecast, and factors known to date, including the currently known impacts of COVID-19, it is expected that the Company's current cash position and future cash flows generated from operations will be sufficient to meet its working capital requirements for fiscal 2022. However, the Company's ability to fund future cash requirements will depend on its future operating performance, which could be affected by the risks discussed. The Company could seek to raise additional funding in the event it fails to maintain sufficient liquidity, as it currently has no outstanding debt financing, and reduce capital spending if necessary.

However, the COVID-19 pandemic creates additional risks such as the negative impact on debt and equity capital markets, including the ability to access capital at a reasonable cost and the trading price of the Company's securities, which could impact future capital raising efforts if required by the Company. A long-term decline in capital expenditures may negatively impact the Company's revenue and profit growth.

CREDIT RISK

Indigo is exposed to credit risk resulting from the possibility that counterparties may default on their financial obligations to the Company. Credit risk primarily arises from accounts receivable, cash and cash equivalents, short-term investments, and derivative financial instruments. The Company is also exposed to operational risk from adverse impacts on fluctuations in its own credit risk, which may hinder its ability to negotiate commercially favourable purchase terms.

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

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

FOREIGN EXCHANGE RISK

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

INTEREST RATE RISK

The Company's interest income is sensitive to fluctuations in Canadian interest rates, which affect the interest earned on Indigo's cash and cash equivalents and short-term investments. The Company does not currently have any debt and all interest expense recognized in fiscal 2021 relates to its retail lease liabilities. The Company has minimal interest rate risk and does not use any interest rate swaps to manage its risk.

REAL ESTATE

The Company leases all of its retail locations and while it attempts to renew these leases as they come due on favourable terms and conditions, it is susceptible to volatility in the market for supercentre and shopping mall space. Unforeseen increases in occupancy costs, or costs incurred due to unanticipated store closings or relocations, could also unfavourably impact the Company's performance.

As a result of the COVID-19 pandemic, the Company has experienced significant government mandated retail store closures and capacity constraints, materially affecting operations. The Company is currently negotiating with its landlords to abate certain rent expense in response to the financial impact of rolling COVID-19 store closures; however, there can be no assurance that such negotiations will be successful and there are additional risks associated with these suspensions.

The inability of the Company to enter into suitable rent relief arrangements could potentially have a cumulative material effect, depending on the number of locations impacted and the materiality of such locations to the overall business, among other factors. Any dispute under these leases may result in litigation with the relevant landlord.

The Company subleases space in its retail store network to café vendors, exposing the Company to certain risks inherent in the commercial real estate business. This business has been greatly impacted by COVID-19 temporary store closures and capacity restrictions, and adverse impacts to the Company may include an increase in re-leasing timelines, potential delays in lease-up of vacant space and the market terms at which such subleases can be executed.

Investors should also refer to the Company's description of certain impacts of the ongoing pandemic described above under “Statement on COVID-19”.

INSURANCE COVERAGE

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

INFORMATION TECHNOLOGY AND DIGITAL PLATFORMS

The Company increasingly depends on the proper operation of its information technology platforms and those of third parties to successfully conduct daily business functions, maintain its competitive position in the marketplace and enable its growth strategy. The increased adoption of e-commerce has further exposed the Company to various additional uncertainties including website downtime and other technical failures that could adversely affect the Company’s ability to grow its digital channels.

As described above in “Description of the Business – Information Systems”, the Company continues to invest in new technologies to expand its competitiveness and customer experience. Any failure in the implementation of these solutions, the operation of current information technology systems, platforms or third-party cloud-based processing could result in a significant disruption to the business, potentially negatively impacting revenue or damaging the Company’s reputation. Furthermore, the Company continues to rely on legacy technologies and systems and any failure to maintain and support these legacy systems or migrate to new technology systems could impact Indigo’s operational effectiveness.

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

CYBERSECURITY

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

Cyber threats continuously increase in sophistication, and may become more difficult to anticipate, and detect on a timely basis. A lapse in cybersecurity, or successful cyber attack, may defeat the Company's security measures or those of its cloud-based service providers or third-party vendors. This risk has been heightened since the onset of the pandemic as threat actors have notably taken concerted efforts in the retail industry and the broader market to take advantage of disruptions associated with the COVID-19 pandemic and other previously unreported flaws in third-party software as widely reported in the media.

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

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

DISASTER RECOVERY AND BUSINESS CONTINUITY

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

INTELLECTUAL PROPERTY

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

The Company may also face claims from third parties asserting that the Company’s use of intellectual property infringes on such third party’s ownership or use rights. The defence of any such claims or litigation could result in substantial expense and diversion of resources. There is no guarantee that the Company will be able to resolve such claims and disputes to its satisfaction, and if the Company is unable to successfully defend itself against these claims, it could adversely affect the Company’s reputation, operations and financial condition and performance. Please see the “Legal Proceedings” Risk Factor below.

LEGAL PROCEEDINGS

In the normal course of business, Indigo becomes involved from time to time in litigation and disputes. The outcomes of regulatory investigations, litigation and arbitration disputes are inherently difficult to predict, which creates the risk that an unfavourable outcome in any of these matters could negatively affect the Company’s reputation, operations and financial condition and performance. Regardless of the outcome, litigation may result in substantial costs and expenses to the Company and significantly divert the attention of the Company’s management. While the final outcome of such claims and litigation pending as at April 3, 2021 cannot be predicted with certainty, management believes that any such amount would not have a material impact on the Company’s financial position.

REGULATORY ENVIRONMENT

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

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

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

Throughout the COVID-19 pandemic, federal, provincial, state and municipal government authorities have introduced new legislation and regulations, as well as applied existing laws and ordinances in novel ways, in order to mitigate the impacts of the virus. The Company has actively monitored and analysed these government actions, assessed their impact on the Company's operations, and, where necessary or prudent, implemented changes to the Company's business practices and operations. The imposition of additional regulations or the enactment of any new or more stringent legislation in response to the COVID-19 pandemic could have a material adverse impact on the Company's business and results of operations.

The sourcing and importation of books into Canada is governed by the Book Importation Regulations to the *Copyright Act* (Canada). Any changes to the existing regulatory framework may impact the Company's ability to secure and maintain favorable terms and access to essential products, which could negatively impact the Company's revenues and margins and its ability to compete in the marketplace. As well, the distribution and sale of books is a regulated cultural industry in which foreign investments to acquire control of an existing cultural business are subject to review under the *Investment Canada Act*. There is no assurance that the existing regulatory framework will not change in the future or that it will be effective in preventing foreign-owned retailers from competing in Canada or by acting as a constraint on the acquisition by foreign investors of Canadian retailers involved in a cultural business. An increased number of competitors could have an adverse effect on the Company's financial performance. Please see the "Competition" Risk Factor above.

COMPLIANCE WITH PRIVACY LAWS

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

DIVIDENDS

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

DESCRIPTION OF CAPITAL STRUCTURE

The authorized share capital of Indigo consists of an unlimited number of common shares, of which 27,273,961 common shares are issued and outstanding as at June 1, 2021.

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

CONSTRAINTS

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

MARKET FOR SECURITIES

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

The following table sets out the price ranges and volumes traded for the Company's common shares on the TSX on a monthly basis for each calendar month in fiscal 2021.

Month	High ($)	Low ($)	Volume
April 2020	2.50	1.89	384,092
May 2020	2.12	1.25	711,649
June 2020	1.50	0.82	4,503,276
July 2020	1.24	0.89	1,001,808
August 2020	2.78	1.00	3,744,124
September 2020	2.15	1.69	551,887
October 2020	2.14	1.87	504,036
November 2020	2.52	1.99	1,323,841
December 2020	3.64	2.20	1,495,991
January 2021	3.58	2.81	623,332
February 2021	5.25	3.20	1,285,430
March 2021	4.25	3.62	610,935

DIRECTORS AND OFFICERS

The following table and notes thereto state the names and provinces or states of residence of all the Company's directors and executive officers as at June 1, 2021, their respective principal occupations, business, or employment within the five preceding years, their beneficial ownership of common shares and, with respect to the directors, the year in which they became directors of Indigo. Each director will hold office until the Company's next annual shareholders' meeting, or until such director's successor is duly elected, unless the office is earlier vacated in accordance with the by-laws of Indigo.

Name, Province or State, and Country of Residence	Position and/or Office with Indigo	Present Principal Occupation, if Different from Office Held	Director Since	Common Shares Beneficially Owned, Controlled or Directed as at June 1, 2021[(1)]
HEATHER REISMAN Ontario, Canada	Chair and Chief Executive Officer and Director	n/a	February 4, 2001	633,391 common shares
FRANK CLEGG[(2)] Ontario, Canada	Director	Volunteer Chairman and Chief Executive Officer for Canadians for Safe Technology (C4ST) (mission to raise awareness of harmful effects from unsafe use of wireless technology)	February 1, 2005	nil common shares
JONATHAN DEITCHER[(2)] Quebec, Canada	Director	Investment Advisor, RBC Dominion Securities (wealth management company)	August 7, 2001	60,000 common shares
MITCHELL GOLDHAR Ontario, Canada	Director	Executive Chairman of SmartCentres REIT (real estate investment trust) and owner of Penguin Group of Companies (commercial real estate development company)	February 2, 2006	nil common shares
HOWARD GROSFIELD[(3)(4)] New York, USA	Director	Executive Vice President and General Manager, US Consumer and Global Premium Services, American Express (financial services company)	June 29, 2015	nil common shares
ROBERT HAFT[(3)] Washington, DC, USA	Lead Director	Managing Partner, Morgan Noble Healthcare Partners (investment firm specializing in healthcare)	November 3, 2015	nil common shares
ANDREA JOHNSON[(5)] California, USA	Director	Co-Founder and Chief Executive Officer of Rally Reader, LLC (digital reading platform for children)	November 8, 2016	4,925 common shares

Name, Province or State, and Country of Residence	Position and/or Office with Indigo	Present Principal Occupation, if Different from Office Held	Director Since	Common Shares Beneficially Owned, Controlled or Directed as at June 1, 2021(1)
ANNE MARIE O'DONOVAN(2) Ontario, Canada	Director	Corporate Director and President, O'Donovan Advisory Services Ltd. (advisory and consulting services company)	December 27, 2009	nil common shares
CHIKA STACY ORIUWA(3)(6) Ontario, Canada	Director	Medical Doctor (psychiatry resident at University of Toronto)	November 3, 2020	nil common shares
GERALD SCHWARTZ Ontario, Canada	Director	Chairman and Chief Executive Officer, Onex Corporation (diversified company)	February 4, 2001	15,501,974 common shares(7)
PETER RUIS(8) London, United Kingdom	President	n/a	n/a	nil common shares
GILDAVE (GIL) DENNIS(9) Ontario, Canada	Chief Operating Officer	n/a	n/a	20,000 common shares
ANDREA LIMBARDI(10) Quebec, Canada	Chief Digital Officer	n/a	n/a	nil common shares
CRAIG LOUDON(11) Ontario, Canada	Chief Financial Officer and Executive Vice President, Supply Chain	n/a	n/a	nil common shares
BAHMAN (BO) PARIZADEH Ontario, Canada	Chief Technology Officer	n/a	n/a	10,000 common shares
NATHAN WILLIAMS(12) Ontario, Canada	Chief Creative Officer	n/a	n/a	nil common shares

(1) As at June 1, 2021, the Company's directors and executive officers as a group, beneficially owned, directly or indirectly, or exercised direction or control over 16,230,290 common shares, representing approximately 59.5% of the outstanding common shares.

(2) Member of Audit Committee.

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

(4) Mr. Grosfield is currently the Executive Vice President and General Manager, US Consumer and Global Premium Services at American Express in New York and serves on the company's Global Leadership Team. From February 2016 to February 2018, Mr. Grosfield served as Executive Vice President, US Consumer Marketing Services. 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.

(5) Ms. Johnson co-founded Rally Reader, LLC (developing software to assist in learning to read) in January 2019. She was a Principal of Envelo Properties Corp. from October 2016 to March 2021. Ms. Johnson was also co-founder and Chief Executive Officer of ThisLife (2009 to 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 is the daughter of Ms. Reisman, the Chair and Chief Executive Officer of the Company and Mr. Schwartz, who owns, directly or indirectly, a total of 15,501,974 common shares.

(6) Dr. Oriuwa was appointed to the Board of Directors in November 2020. She is a recent graduate of the University of Toronto, Faculty of Medicine and is currently a psychiatry resident at the University of Toronto.

(7) Mr. Schwartz owns directly or indirectly, a total of 15,501,974 common shares held by Trilogy Retail Holdings Inc. and Trilogy Investments L.P. in aggregate representing approximately 56.8% of the outstanding common shares of Indigo. Ms. Reisman, who owns directly or indirectly, 633,391 common shares, is Mr. Schwartz' spouse.

(8) Mr. Ruis was appointed President effective February 1, 2021. Prior to joining the Company, he held the positions of Managing Director of Anthropologie URBN Group from May 2018 to January 2021, and Chief Executive Officer of Jigsaw Group from September 2013 to June 2018, respectively.

(9) Mr. Dennis was promoted to the position of Chief Operating Officer of the Company in April 2019. He joined Indigo in December 2015 as the Executive Vice President, Retail and Human Resources. From 2011 to 2015, Mr. Dennis was Senior Vice President of Stores at dressbarn, a division of Ascena Retail Group.

(10) Ms. Andrea Limbardi was appointed Chief Digital Officer effective April 5, 2021. She has been with Indigo since 2002, holding roles of progressive responsibility. From March 2020 to March 2021, Ms. Limbardi held the position of Senior Vice President and Chief Digital Officer. Prior to that, she held the position of Senior Vice President, Strategic Initiatives from April 2017 to March 2020. Ms. Limbardi was Indigo's Vice President, Eastern Canada and National French Print from February 2012 to April 2017.

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

(12) Nathan Williams was appointed Chief Creative Officer in June 2019. Mr. Williams is a Canadian creative director, author and entrepreneur. He is the co-founder of *Kinfolk* magazine (founded in 2011) and the Ouur apparel, homewares and accessories brand. Mr. Williams is a *New York Times* bestselling author with publications spanning interior design, cooking, entrepreneurship and creative direction.

Heather Reisman – *Chair and Chief Executive Officer and Director.* Heather Reisman is the founder of Indigo and has been its Chief Executive Officer since its inception in 1996. In 2001, Indigo merged with Chapters Inc. to become the public entity it is today. Ms. Reisman is a member of the Board of Directors of Onex Corporation and an Officer of Mount Sinai Hospital. She was inducted into the Canadian Business Hall of Fame in 2015 and is an Officer of the Order of Canada.

Frank Clegg – *Director.* Frank Clegg is the Volunteer Chairman and Chief Executive Officer for Canadians for Safe Technology (C4ST). He was the Chairman of Navantis from January 2006 to December 2012. Mr. Clegg held the position of President of Microsoft Canada Co. from September 2000 to January 2005. Prior to that, he was Vice President, Central Region of Microsoft Corporation. Mr. Clegg is a member of the Company's Audit Committee and is the Technology Advisor to the Indigo Board of Directors.

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

Mitchell Goldhar – *Director*. Mitchell Goldhar is a Canadian businessman and founder of SmartCentres, a commercial and residential real estate company. Mr. Goldhar is the Executive Chairman and largest unitholder of SmartCentres REIT, publicly traded on the TSX with over $10.7 billion in assets. Mr. Goldhar is also the owner of the Penguin Group of Companies, a private real estate company, with prime locations across Canada in various stages of development. In addition, Mr. Goldhar is the owner of Penguin Pick-Up, REVIVAL Film Studios, Clevelands House Resort in Muskoka, and Maccabi Tel Aviv Football Club. Mr. Goldhar holds a BA degree in Political Science from York University and has been an adjunct professor with the Rotman School of Management, University of Toronto since 2004. Mr. Goldhar is a member of the Board of Onex Corporation and the Canadian Concussion Centre at Toronto General Hospital, and Director Emeritus with the SickKids Foundation.

Howard Grosfield – *Director*. Howard Grosfield is currently the Executive Vice President and General Manager, US Consumer and Global Premium Services at American Express in New York and serves on the company's Global Leadership Team. Prior to this role, Mr. Grosfield served as President and Chief

Executive Officer of American Express Bank of Canada, as well as serving as its Chairman of the Board. Before joining American Express in 2004, Mr. Grosfield spent several years as a Principal with The Boston Consulting Group leading projects in retail, financial services, loyalty, and mergers and acquisitions. Mr. Grosfield was also a lawyer with Osler in Toronto. Mr. Grosfield is a member of the Company's Human Resources, Compensation and Governance Committee.

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

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

Anne Marie O'Donovan – *Director*. Anne Marie O'Donovan, FCA, is a Corporate Director and President, O'Donovan Advisory Services Ltd. Ms. O'Donovan previously held the position of Executive Vice President and Chief Administration Officer, Global Banking and Markets for 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 Board of Aviva Canada Inc., as well as Chair of the Audit Committee of Cadillac Fairview, respectively. Ms. O'Donovan is also the Chair of the Board of Directors of CMA Investco Inc., a subsidiary of the Canadian Medical Association (CMA), which oversees the investment and management of CMA assets. Ms. O'Donovan is the Chair of the Company's Audit Committee.

Chika Stacy Oriuwa – *Director*. Dr. Chika Stacy Oriuwa, MD, MSc SLI, is a graduate of the University of Toronto, Faculty of Medicine, where she was named the valedictorian of her graduating class of medical doctors and is the first Black woman to be recognized as sole valedictorian. She is a professional spoken word poet, public speaker, writer and advocate for racialized and marginalized populations. Dr. Oriuwa is a psychiatry resident at the University of Toronto where she aims to go on to complete further specialist training in neuro-psychiatry and neuro-inflammatory diseases. Dr. Oriuwa is a member of the Company's Human Resources, Compensation and Governance Committee.

Gerald Schwartz – *Director.* Gerald Schwartz founded Onex Corporation, one of North America's oldest and largest private equity firms, in 1984. Mr. Schwartz is presently the Chairman and Chief Executive Officer of Onex. Mr. Schwartz was inducted into the Canadian Business Hall of Fame in 2004 and was appointed an Officer of the Order of Canada in 2006.

Peter Ruis – *President*. Peter Ruis was appointed President effective February 1, 2021. Mr. Ruis is responsible for leading the Executive Team, fundamentally reshaping Indigo as a *Living with Intention*™ company, and transforming the Indigo business model while elevating the brand and driving profitable growth. He brings to Indigo a strong digital and omni-channel track record, with over thirty years of retail experience. Mr. Ruis was most recently Managing Director of Anthropologie URBN Group (May 2018 – Jan 2021), where he shaped a unique position for the retailer as it expanded internationally. Prior to that, he was Chief Executive Officer of Jigsaw Group (Sept 2013 – June 2018) and held a number of executive positions at John Lewis, culminating in the role of Executive Buying and Brand Director (Jan 2005 – Sept 2013). Mr. Ruis also serves as a member of the Board of Directors of Dunelm plc. Mr. Ruis holds a Bachelor of Arts degree in International History and Politics from the University of Leeds in the United Kingdom.

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

Andrea Limbardi – *Chief Digital Officer*. Andrea Limbardi was appointed Chief Digital Officer effective April 5, 2021. Ms. Limbardi is responsible for leading Indigo's digital modernization and transformation. She leads Indigo's omni-channel digital touch points, e-commerce sites including *indigo.ca*, *indigo.com*, and *thoughtfull.co*, digital product management and design, performance marketing, loyalty, customer intelligence, drop ship and marketplace, corporate sales, customer service, and French business teams. Ms. Limbardi has over 25 years of retail and hospitality experience. She has been with Indigo since June 2002, holding roles of progressive responsibility including leadership roles in retail stores, business development, category management, and strategy, including as Vice President of Eastern Canada and Senior Vice President of Strategic Initiatives. Ms. Limbardi is the founder of *thoughtfull.co*, a site dedicated to making gifting easy and joyful. Ms. Limbardi holds an MBA from the John Molson School of Business at Concordia University in Montreal.

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

Bahman (Bo) Parizadeh – *Chief Technology Officer*. Bo Parizadeh was appointed Chief Technology Officer in May 2016. He is responsible for all information technology functions at Indigo, including enterprise and customer facing applications, architecture and technology strategy, infrastructure and operations, and project management. He joined the Company in January 2013 as Vice President, Customer Solutions, overseeing the digital and retail technology groups. Prior to joining Indigo, Mr. Parizadeh was at SapientNitro, a global technology consulting firm for over six years, where he was the Interactive Development practice lead for the north east and west coast business groups within North America. Throughout his time at Sapient, Mr. Parizadeh worked with a variety of clients in the financial and telecommunications industries, before ultimately moving his focus to the retail industry where he worked with large brands such as Target, Under Armour, and Disney, building best-in-class marketing and e-commerce platforms. Mr. Parizadeh holds a Computer Engineering degree from the University of Toronto.

Nathan Williams – *Chief Creative Officer.* Nathan Williams was appointed Chief Creative Officer in June 2019. He is responsible for Indigo's creative studio, design studio and visual merchandising. Mr. Williams is a Canadian creative director, author and entrepreneur. He is the co-founder of *Kinfolk* magazine and the Ouur apparel, homewares and accessories brand. Founded in 2011, *Kinfolk* has become a leading design authority, sold in over 100 countries and connecting a global community of creative professionals from London to Tokyo. Mr. Williams is a *New York Times* bestselling author with publications spanning interior design, cooking, entrepreneurship and creative direction. His creative work has been recognized as one of Elle Décor's Top 10 Influencers in Design, Forbes 30 Under 30 and the Hypebeast 100 list. Prior to founding *Kinfolk* and Ouur, Mr. Williams was an analyst at Goldman Sachs in New York trading equity derivatives and securities. Mr. Williams holds a Bachelor of Science in Economics and a degree in Conflict Resolution from Brigham Young University, Hawaii.

AUDIT COMMITTEE

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

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

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

Mr. Clegg joined the Company's Board in 2005 and was appointed to the Audit Committee in 2007. Mr. Clegg was the President of Microsoft Canada Co. from September 2000 to January 2005. Mr. Clegg brings his extensive information technology background to the Audit Committee at a point in time when the oversight of IT governance has become an important responsibility for boards and audit committees.

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

Ms. O'Donovan joined the Company's Board, as well as the Audit Committee, in 2009. She was appointed as the Chair of the Audit Committee in 2019. Ms. O'Donovan is a Fellow of the Institute of Chartered Accountants of Ontario and President of O'Donovan Advisory Services Ltd. Ms. O'Donovan has held numerous financial management roles including her former position of Executive Vice President and Chief Administration Officer, Global Banking and Markets for Scotiabank, which she held until December 2014.

Ms. O'Donovan is an experienced Board member and is currently the Chair of the Board of both Aviva Canada and CMA Investco Inc. (a subsidiary of the Canadian Medical Association), as well as Chair of the Audit Committee of Cadillac Fairview. Ms. O'Donovan also brings experience in governance, internal control, and risk management from her previous positions as the Chief Auditor for Scotiabank and a partner at Ernst & Young LLP.

MATERIAL TRANSACTIONS WITH DIRECTORS OR OFFICERS

During fiscal 2021, the Company purchased goods and services from companies in which Mr. Gerald W. Schwartz, who is the controlling shareholder of Indigo, holds a controlling or significant interest. In fiscal 2021, the Company paid $0.3 million for these transactions (2020 - $2.2 million). As at April 3, 2021, Indigo had a nominal amount payable to these companies under standard payment terms (March 28, 2020 - $0.1 million). In prior years, an amount of restricted cash has been pledged as collateral for letter of credit obligations issued to support the Company's purchases of merchandise from these companies, however there was no amount pledged as at April 3, 2021 (March 28, 2020 - $1.0 million). All transactions were measured at fair market value and were in the normal course of business, under normal commercial terms, for both Indigo and the related companies.

During the second quarter of fiscal 2021, the Company entered into a secured revolving credit facility of $25 million with a company controlled by Mr. Schwartz. No advances were made on the non-interest bearing facility, which matured on February 1, 2021.

On June 1, 2021, a secured revolving credit facility for $25 million was approved by the Company's Board of Directors from a company controlled by Mr. Schwartz. The non-interest bearing facility will be issued on favourable commercial terms, and will have a maturity date of February 1, 2022. The credit facility is not convertible, directly or indirectly, into equity or voting securities. The purpose of this credit facility is to allow the Company to manage its operations in the most effective manner.

EXPERTS

The Company's consolidated financial statements for the year ending April 3, 2021 were audited by Ernst & Young LLP. Ernst & Young LLP has advised that it is independent with respect to the Company in accordance with the CPA Code of Professional Conduct of the Chartered Professional Accountants of Ontario.

PRE-APPROVAL POLICIES AND PROCEDURES

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

EXTERNAL AUDITOR SERVICE FEES

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

Type of Fee	2021	2020
Audit Fees[(1)]	$444,000	$659,000
Tax Fees	$72,000	$62,000
All Other Fees	$3,200	$3,200
Total	$519,200	$724,200

(1) Audit Fees in 2020 included $215,000 related to out-of-scope billings related to incremental procedures primarily associated with the impacts of COVID-19. These billings are yet to be determined for 2021.

Audit fees were incurred for the audit of the financial statements, as well as translation services, discussion of quarterly information, and accounting consultations on International Financial Reporting Standards. Tax fees incurred were related to tax compliance and tax planning/consulting services, while all other fees related to tax research costs.

TRANSFER AGENT AND REGISTRAR

The Company's transfer agent and registrar is AST Trust Company (Canada) and Indigo's common share register is located at their offices at 1 Toronto Street, Suite 1200, Toronto, Ontario, M5C 2V6.

ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, and options to purchase securities is contained in Indigo's 2021 Management Information Circular as filed with Canadian securities regulatory authorities on SEDAR. Further information can also be found on SEDAR at *sedar.com*. Additional financial information is provided in the Company's comparative financial statements and MD&A for the fiscal year ended April 3, 2021, which are included on pages 7 through 70 of Indigo's 2021 Annual Report.

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

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

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

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

APPENDIX A – AUDIT COMMITTEE CHARTER

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

AUDIT COMMITTEE CHARTER

1. PURPOSE

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

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

2. COMPOSITION

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

3. MEMBER QUALIFICATIONS

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

4. MEETINGS

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

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

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

5. RELATIONSHIP WITH EXTERNAL AUDITORS

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

6. RESPONSIBILITIES AND DUTIES

To fulfill its responsibilities and duties, the Committee shall:

I. Financial Reporting and Disclosure

(a) review the accounting principles, policies and practices followed by the Corporation and its subsidiaries in accounting for and reporting its financial results of operations, satisfying itself that such policies and practices are prudent and appropriate;

(b) review and discuss with management and external auditors as required, the Corporation's audited annual consolidated financial statements, unaudited quarterly financial statements, and management's discussion and analysis prior to Board approval and disclosure to the public, satisfying itself that the financial statements are accurate, complete and present fairly, in all material respects in accordance with International Financial Reporting Standards ("IFRS"), the financial condition and performance of the Corporation, and together with management's discussion and analysis, the annual information form and associated officer certifications constitute a fair presentation of the Corporation's financial condition; discussions with management and external auditors should include significant issues regarding accounting principles, practices and significant management estimates and judgments;

(c) review and recommend the Corporation's annual information form, management information circular and other regulatory filings to the Board for approval;

(d) review certifications of the Chief Executive Officer and Chief Financial Officer on the integrity of the quarterly and annual consolidated financial statements;

(e) review and recommend to the Board for approval the annual and interim earnings press releases and all other material financial press releases prior to public disclosure;

(f) review and, if appropriate, recommend to the Board for approval, prospectuses, take-over bids circulars, issuer bid circulars and directors' circulars; and

(g) satisfy itself that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements and periodically assess the adequacy of those procedures.

II. External Auditors

(a) recommend to the Board the selection of the external auditors;

(b) recommend to the Board the compensation of the external auditors;

(c) oversee the work of the external auditors engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditors regarding financial reporting;

(d) review and determine the independence of the external auditor, including obtaining, on an annual basis, a formal written statement from the external auditors delineating the relationship between the audit firm and the Corporation, and reviewing and discussing with the external auditors such relationship to determine their "independence";

(e) review any management letter prepared by the external auditors concerning the Corporation's internal financial controls, record keeping and other matters and management's response thereto;

(f) discuss with the external auditors their views about the quality of the implementation of IFRS, with a particular focus on the accounting estimates and judgments made by management and management's selection of accounting principles. Meet in private with appropriate members of management and separately with the external auditors on a regular basis to share perceptions on these matters, discuss any potential concerns and agree upon appropriate action plans. Review with the external auditors their views on the adequacy of the Corporation's financial personnel;

(g) approve the scope of the annual audit, the audit plan, the access granted to the Corporation's records and the co-operation of management in any audit and review function;

(h) receive from the external auditors reports on their review of the annual and quarterly financial statements;

(i) receive from management a copy of the management representation letter provided to the external auditors and any additional representations required by the Committee;

(j) review the effectiveness of the external auditor, including the annual audit and any quarterly reviews, and assess the effectiveness of the working relationship of the external auditors with management including receipt from management and the external auditors, on at least an annual basis, an audit quality scorecard to facilitate such assessment;

(k) evaluate the lead audit partner and discuss the timing and process of the rotation of the lead audit partner and other audit engagement team partners;

(l) review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Corporation;

(m) receive from the external auditors, on at least an annual basis, an overview of Public Company Accounting Oversight Board (PCAOB) and Canadian Public Accountability Board (CPAB) audit quality inspections reports to educate the Committee and identify relevant lessons learned or issues for discussion; and

(n) determine the nature of non-audit services the external auditors are prohibited from providing to the Corporation and pre-approve all non-audit services provided by the external auditors to the Corporation.

III. Enterprise Risk Management

(a) oversee the Corporation's enterprise risk management framework to monitor, mitigate and manage key risks;

(b) monitor cyber risk, fraud risk, information technology risk and other risks as delegated to the Committee as part of the Corporation's enterprise risk management program and monitor the effectiveness of the Corporation's policies, plans and processes to mitigate and manage such risks; and

(c) review the use of derivative financial instruments by the Corporation.

IV. Internal Auditors

(a) review the annual plan of the internal auditor, including the audit scope and overall risk assessment methodology, ensuring such are appropriate for the Corporation;

(b) review the organizational structure of internal audit to ensure independence from management and an appropriate segregation of duties;

(c) review the effectiveness of the internal auditor;

(d) review the quarterly reports of the internal auditor on internal audit activities, including audit findings, recommendations and progress in meeting the annual audit plan; and

(e) meet regularly with the internal auditor, with or without management present, to discuss the effectiveness of the Corporation's internal control procedures, risk management and governance processes.

V. Complaints/Concerns

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

VI. Internal Controls/Compliance

(a) monitor the Corporation's system of internal financial controls and the Corporation's control environment to satisfy itself that such controls are effective and efficient through review of reports received from internal audit, finance and the external auditors;

(b) satisfy itself that management has developed and implemented a process to ensure compliance with continuous disclosure obligations;

(c) review reports from management and internal/external auditors with respect to the Corporation's compliance with laws and regulations having a material impact on the financial statements;

(d) review reports from management or others regarding the Corporation's compliance with applicable governing legislation and whether the Corporation's policies and procedures are operating effectively in this regard;

(e) review applicable internal policies (eg. Fraud Policy, Disclosure Policy, Insider Trading Policy, Whistleblower Policy) on a regular basis;

(f) review reports on material litigation matters, as applicable; and

(g) oversee matters relating to security of and risks related to information technology systems and procedures, including assessment of the adequacy and effectiveness of the internal controls regarding information security.

VII. Related Party Transactions

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

VIII. Other

(a) review in advance the appointment of the Chief Financial Officer;

(b) review annually this Committee Charter for adequacy and recommend any changes to the Board;

(c) meet in-camera with (i) external auditors; (ii) internal auditors, and (iii) management at each meeting of the Committee, as required;

(d) report to the Board on the major items covered at each Committee meeting and make recommendations to the Board and management concerning these matters at the next scheduled Board meeting;

(e) report to the Board on the effectiveness of the Committee annually; and

(f) perform any other activities consistent with this Charter, the Corporation's By-laws and governing law as the Committee or the Board deems necessary or appropriate.

7. AUTHORITY

The Committee has the authority:

(a) to engage independent counsel and other advisors as it determines necessary to carry out its duties;

(b) to set and pay the compensation for any advisors employed by the Committee;

(c) to conduct or authorize investigations into matters within its scope of responsibility; and

(d) to communicate directly with the internal and external auditors.