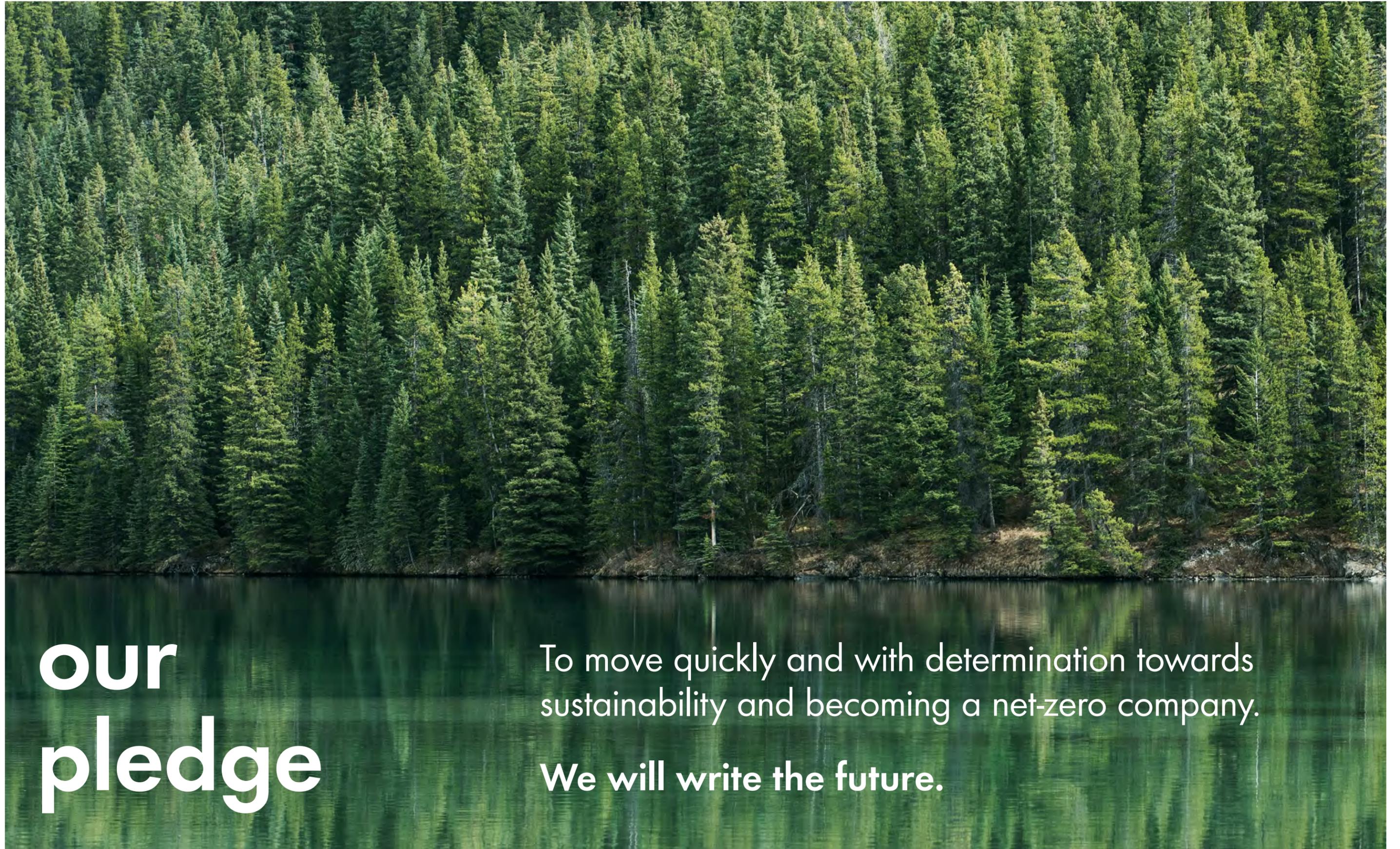


write the future

Indigo 2021 Climate Report

!ndigo



our pledge

To move quickly and with determination towards sustainability and becoming a net-zero company.

We will write the future.

Welcome to Indigo's annual Climate Report.

In April 2021, we made a pledge to reach net-zero emissions by 2035. In October 2021, we followed up with our net-zero roadmap, which outlines our organization's strategy to address climate change.

This Climate Report demonstrates how we are progressing towards our goals and commitments, summarizing our performance in 2021.

Indigo's sustainability program is lead by the director of sustainability. However, our Chief Executive Officer and Executive team have full oversight and accountability over the performance and progress of Indigo's sustainability commitments. Indigo also has a Sustainability Committee which consist of representative from across the organization that support strategic initiatives within their respective businesses. Lastly, Indigo's Board provides oversight and support on sustainability performance and governance.

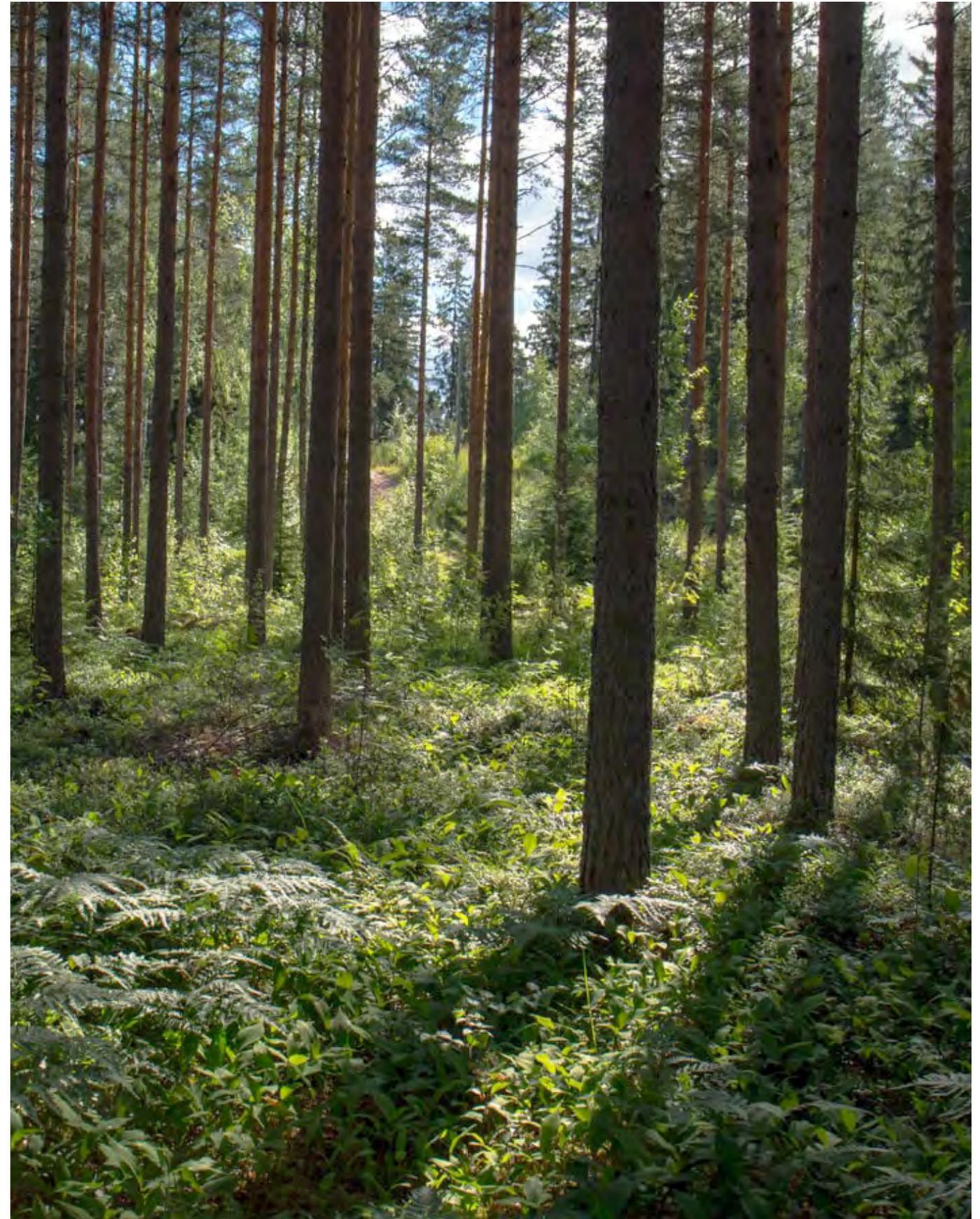


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write the future



A NOTE FROM OUR CEO

Indigo is on a mission to help our customers live their life, on purpose. Now more than ever, Canadians are seeking to drive change in themselves and are prioritizing their overall well-being, investing in brands that align with their lifestyle and conscience.

Whether it is a great book or a life-enriching product, we are intentionally designing and buying the best responsibly produced assortment with a unique combination of beauty, function, and longevity. In addition to our product assortment, we are working to understand and minimize our operational impact from waste, logistics and facilities to fully realize our goal to be net-zero by 2035.

This commitment is a long-term investment in our future, and while there is more to do, I am proud of the progress we have made. This has been made possible through the passion and dedication across all our teams to make sustainability a core element of all we do. Building on this foundation, we will continue to report our progress along the way as we accelerate our efforts to have a positive impact on the communities we serve and on our planet.

A handwritten signature in black ink, appearing to read 'Peter Ruis'. The signature is fluid and cursive.

Peter Ruis, Chief Executive Officer

introduction

The 2021 Intergovernmental Panel on Climate Change (IPCC) climate science report confirmed what has long been believed: “It is unequivocal that human influence has warmed the atmosphere, ocean and land.” Climate change is reshaping our world at a rapid pace. However, we can still limit further warming by accelerating sustainable thinking and our global transition to net-zero emissions.

At Indigo, we remain committed to sustainability and reducing our greenhouse gas (GHG) emissions throughout our business to arrive at net zero by 2035. We know our largest contributor to our GHG emissions comes from the products we sell. We also know that the energy required to operate our retail and distribution facilities is another large contributor. We are proud to have decreased the GHG emissions in both our products and facilities in 2021.

We will continue to lower emissions by optimizing Indigo’s operations, with a continued focus on our facilities, logistics, and waste. We are also committed to prolonging the life of the products we sell by developing and sourcing high-integrity, sustainable products.



our goals

- To deliver environmentally sustainable products by leveraging sustainable designs, responsible sourcing practices, and certified sustainable materials.
- To emit zero emissions in our facilities through energy-efficiency measures and to invest in renewable energy for those emissions we cannot directly reduce.
- To reduce the emissions from our inbound and outbound transportation through operational efficiencies and by moving towards cleaner logistics.
- To divert 99 percent of our retail stores' and Distribution Centres' waste to recyclable and compostable streams. We will also reduce the overall tonnage of waste created, ensuring it is not sent to landfills or for incineration.
- To ensure that children across Canada, particularly those living in high-needs communities, have access to high-quality books that teach them about environmental issues and responsible environmental stewardship.
- To inspire and support our employees and customers the live their life, on purpose, in their quest to live in harmony with our planet.

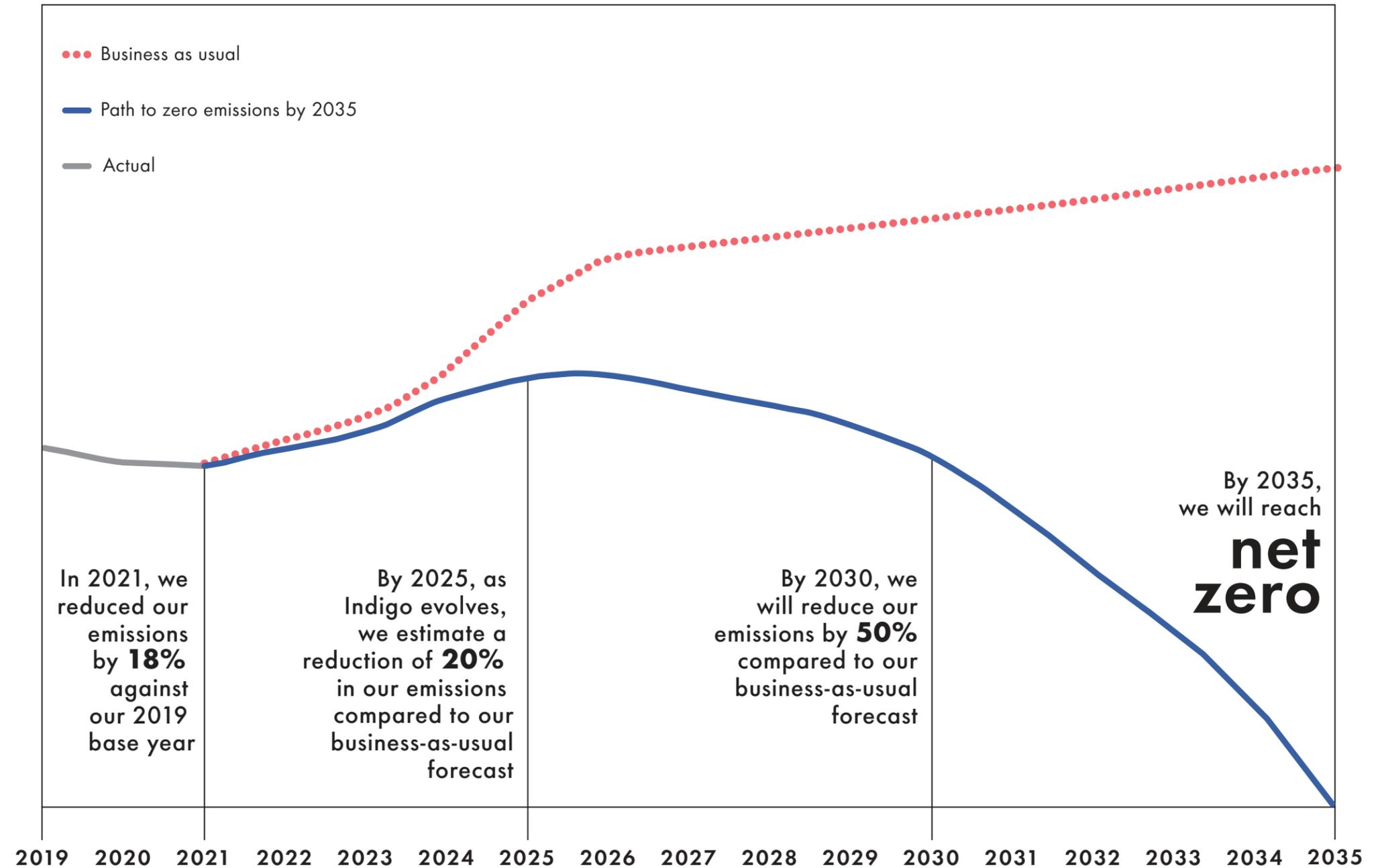


net-zero roadmap

In 2021, we saw a reduction in overall GHG emissions. From our 2019 base year, we saw a 18% reduction in GHG emissions.

The reduction of emissions we've achieved has primarily come from our products and facilities. The reduction from our products is a result of operational and planning efficiencies and the intentional evolution of our assortment. We have also reduced emissions in our facilities through energy-efficiency retrofits.

While we are seeing an emission reduction in some areas of the business, our logistics emissions have risen since 2019, driven by the growth of our online business.



2021 emissions

SCOPE 1: DIRECT

SCOPE 2: ENERGY

SCOPE 3: INDIRECT EMISSION

DESCRIPTION

Emissions from the on-site fossil fuel consumption from heating and cooling our offices, distribution centres and retail facilities

Emissions that result from the generation of electricity from a utility provider for our offices, distribution centres and retail facilities

Emissions from all other upstream and downstream activities, including purchased goods and services, upstream and downstream transportation and distribution, waste, employee commuting, business travel, fuel production and extraction and losses for purchases grid electricity

BOUNDARY



Heating and cooling our facilities



Purchased Electricity



Product



Waste



Employee Commuting



Transportation (inbound)



Transportation (outbound)



Business Travel

*Scope 1 emissions exclude those related to refrigerants and propane

*Scope 3 emissions currently exclude the inbound transportation where the vendor is responsible for delivery

2019 EMISSIONS 5,309 tonnes CO₂e

11,222 tonnes CO₂e

131,326 tonnes CO₂e

2020 EMISSIONS 4,976 tonnes CO₂e

9,812 tonnes CO₂e

108,544 tonnes CO₂e

2021 EMISSIONS 4,675 tonnes CO₂e

8,522 tonnes CO₂e

107,775 tonnes CO₂e

*Indigo reports emissions in accordance with the Greenhouse Gas Protocol. *Indigo reports emissions on a calendar year (January - December)

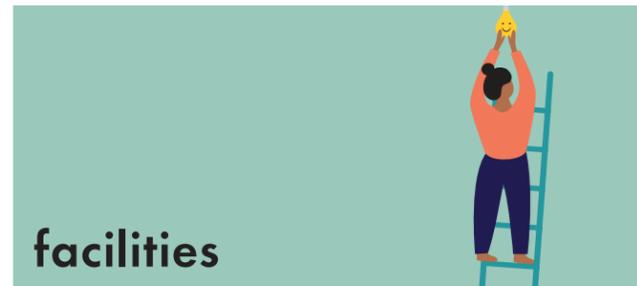
2021 progress

CATEGORY	GOAL	DESCRIPTION		
PRODUCT	To deliver environmentally sustainable products by leveraging sustainable designs, responsible sourcing practices, and certified sustainable materials.	Emissions from Indigo's purchased goods, including books, private label brands, and national brands (tonnes CO ₂ e)	2019	112,656
			2020	92,015
			2021	85,060
FACILITIES	To emit zero emissions in our facilities through energy-efficiency measures and to invest in renewable energy for those emissions we cannot directly reduce.	Emissions from Indigo's stores, home office, and distribution centres (tonnes CO ₂ e)	2019	16,530
			2020	14,788
			2021	13,197
LOGISTICS	To reduce the emissions from our inbound and outbound transportation through operational efficiencies and by moving towards cleaner logistics.	Emissions from the inbound, outbound, and e-commerce transportation and distribution (tonnes CO ₂ e)	2019	8,918
			2020	8,405
			2021	13,983
WASTE	To divert 99 percent of our retail stores' and Distribution Centres' waste to recyclable and compostable streams. We will also reduce the overall tonnage of waste created, ensuring it is not sent to landfills or for incineration.	Emissions from waste sent to landfill or incineration from our stores, distribution centres, and home office (tonnes CO ₂ e)	2019	5,237
			2020	4,106
			2021	4,949
WASTE		Waste diverted away from landfill or incineration from our stores, distribution centres, and home office (%)	2019	66%
			2020	67%
			2021	68%

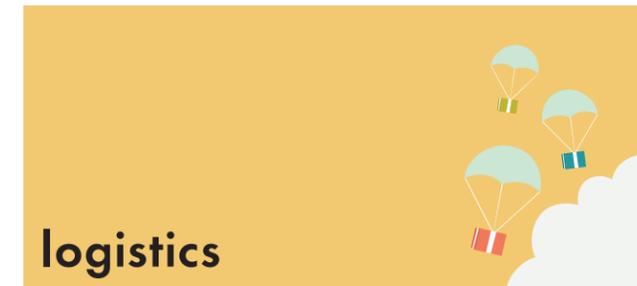
key areas of focus



Developing and advocating for sustainable products and responsible manufacturing practices through our own private label brands as well as with our national brand suppliers and publishing partners.
page 12



Reducing emissions in our retail stores and distribution centres through energy-efficiency projects and emission-reduction initiatives.
page 15



Reducing our transportation emissions through operational efficiencies and by moving towards cleaner logistics.
page 17



Diverting our waste in our retail stores and distribution centres away from landfills and into recyclable and compostable streams through sustainable packaging and robust recycling programs.
page 19



Creating a positive shift through innovative thinking and continuous learning while leveraging our people and their passion for change.
page 21



Empowering our youth, particularly those in high-needs communities, through access to books and resources about climate change and environmental issues.
page 22

OUR GOAL

To deliver environmentally sustainable products by leveraging sustainable designs, responsible sourcing practices, and certified sustainable materials.

Strategic Initiatives:

Product Emission Reduction

We are committed to better understanding the emissions from the products we purchase and the production of our goods by implementing a system to collect emissions data from suppliers and publishers.

Sustainable Materials

We are committed to prolonging the life of products by developing and sourcing high-integrity products that meet customers' needs and expectations. We will provide resources to our product teams that support the development of sustainable products. Where possible, we will source and develop products that use certified sustainable, renewable, or recycled materials. We will

also leverage circular design and thinking in the development of our private label brands.

Responsible Sourcing

We will increase the number of suppliers that use responsible production, sustainable raw materials, renewable energy, and energy-efficiency practices.

Advocacy With National Brand Suppliers & Publisher Partners

We will encourage our suppliers and publisher partners to join us on this journey and take action to protect the environment. We will play an active role in promoting positive change among the organizations and companies we partner with.

environmentally sustainable products



environmentally sustainable products

2021 Activity:

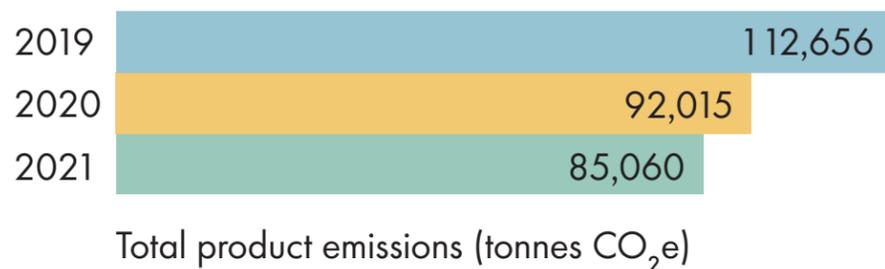
In 2021, our product emissions decreased by 24% compared to 2019. The emissions in our print business dropped by 38% from our base year of 2019. This reduction was driven by operational and planning efficiencies. The general merchandise business saw a reduction of 16% from our baseline year, driven by the intentional evolution of our assortment across all categories.

Sustainable Materials

We have prioritized sustainability as a key attribute in our private brands NÓTA™, OUI™, and Love & Lore®. These private brands are designed and developed to leverage sustainability certified materials. Our product teams work closely with our vendors to develop high-quality, thoughtfully made products our customers can feel good about. (see page 14)

Emissions Calculation Method

It's our priority to understand our impact better each year. To gain more accuracy, we have updated the calculation methodology of our product emissions from a spend-based calculation to a more accurate weight-based method. This change in methodology allows us to isolate areas that have the greatest impact on emissions. As previously shared product emissions was based on a spend-based calculation, the change in calculation method has also led to reestablishing our 2019 base year emissions.



In 2021, our product emissions decreased by **24%** compared to 2019.

+

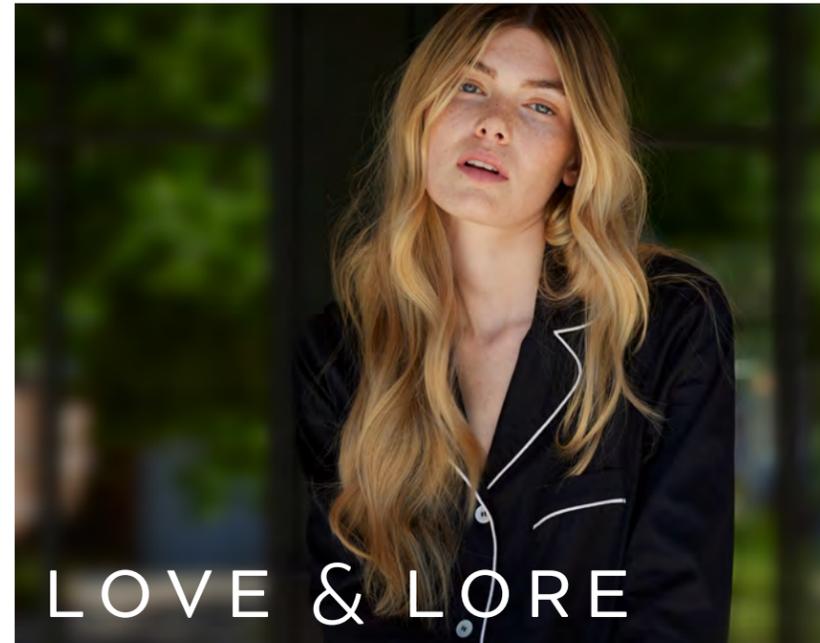
The emissions in our print business dropped by **38%** from our base year of 2019.

brand spotlight



Our OUI™ bedding has been designed and produced with sustainability at its core. The product range features 100% organic OEKO-TEX-certified cotton.

The OEKO-TEX certification is a global standard that ensures the product is free of over 100 harmful substances.



Love & Lore® sleepwear is mindfully tailored from certified sustainable materials like LENZING™ Viscose ECOVERO™ and TENCEL™ Lyocell.

ECOVERO™ wood-based fibres are sourced from responsibly managed forests and processed using up to 50% less water and energy than conventional viscose.

TENCEL™ Lyocell is a sustainably made fabric featuring wood-based fibres sourced from responsibly managed forests and manufactured with the planet in mind.



We understand the impact that our products can have on the world's forests. That's why 100% of NÓTA™ branded journals and stationery are made with FSC-certified paper.

The Forest Stewardship Council (FSC) is a trusted sustainable forest management solution. The FSC labels indicate that the material or product comes from verified and responsible sources that have met FSC's strict environmental and social requirements.

OUR GOAL

To emit zero emissions in our facilities through energy-efficiency measures and to invest in renewable energy for those emissions we cannot directly reduce.

Strategic Initiatives:

Energy Management Systems

We will implement energy management systems in our retail stores to collect real-time, specific data on energy consumption activities. This data will help us prioritize the areas in need of system upgrades.

Lighting Upgrades

We will continue to expand our investment in LED lighting upgrades at our distribution centres and retail stores.

Heating and Air Conditioning Upgrades

We will update heating and cooling systems, which will improve the performance of our buildings.

facilities



facilities

2021 Activity:

We have seen a 20% reduction in our facilities' emissions from our base year of 2019, driven by energy-efficiency measures in our distribution centres. We have completed lighting upgrades in our distribution centres, replacing light fixtures with higher energy efficient and longer lasting LEDs.

We completed our pilot program of an energy management system in select retail facilities. Those locations participating in the pilot energy management system program saw a more efficient consumption of energy. A roll-out of this system is underway across our retail network.



Total facilities emissions (tonnes CO₂e)



OUR GOAL

To reduce the emissions from our inbound and outbound transportation through operational efficiencies and by moving towards cleaner logistics.

Strategic Initiatives:

Retail Distribution

We will use our retail stores as distribution hubs for our online business, reducing the distance each package travels. We will create opportunities for consumers to better understand the impact of shipping options and will always encourage the lowest impact shipping method.

Operational Efficiency

We will increase the productivity and efficiency of our shipments, leading to reduced greenhouse gas emissions. Through improved planning, we will become more efficient in our outbound transportation, lowering the number of trips needed to fulfil our retail stores.

Lowest Emission Options

We will seek low-emitting transportation options by partnering with our logistics providers. Once we better understand our network, we will begin to shift away from transport powered by fossil fuels. Through our advocacy efforts, we will engage with our logistics partners to accelerate the move to low-carbon modes of transportation.

logistics

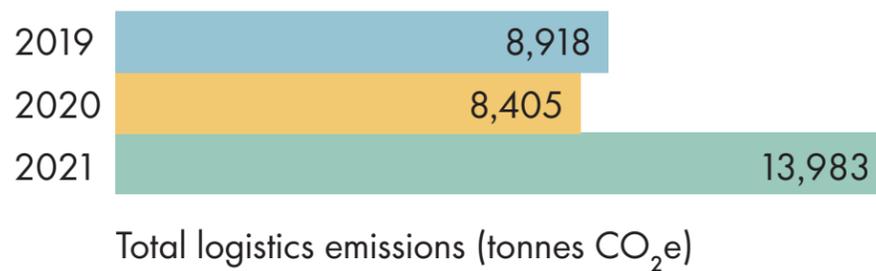


logistics

2021 Activity:

Since 2019, in response to changing consumer behaviors during the COVID-19 pandemic, we have seen an accelerated shift to online shopping. With the growth of our online business, we are seeing an increase in our outbound logistics emissions. In 2021,

we saw a 66% increase in overall emissions from our logistics compared to 2020, and a 57% increase from our 2019 base year. As we better understand shifting customer trends, we will adjust our approach to lower the environmental impact from our logistics.



OUR GOAL

To divert 99% of our retail stores' and distribution centres' waste to recyclable and compostable streams. We will reduce the overall tonnage of waste created, ensuring it is not sent to landfills or for incineration.

Strategic Initiatives:

Waste Diversion

We are committed to increasing our waste diversion across our retail stores and distribution centres. We will work with our waste service providers to continuously audit our waste composition and educate our teams on sustainable practices in waste management.

Sustainable Packaging

We will implement 100 per cent sustainable product packaging for our private label brands. We will shift our packaging, tags, labels, and packing materials to sustainable alternatives made of recyclable or compostable materials. We are also committed to influencing our national brand suppliers to use more sustainable materials in their packaging.

waste



waste

2021 Activity:

We are currently diverting 68% of our waste to recyclable and compostable streams, away from landfill and incineration. With this diversion rate, we are able to reduce our waste emissions by 5% compared to 2019.

We have been able to grow our diversion rates at our Distribution Centres to 90% in 2021. In 2021, our Distribution Centres conducted waste audits and have prioritized education and awareness with our colleagues. Waste infrastructure has also been added to allow for more waste diversion.

While our Distribution Centres grew their diversion rates, we saw our retail diversion rates stay flat to previous years at 64%. Covid-19 restrictions and closures impacted the number of waste diversion measures in our retail stores.

Shopping bags

In 2021, we said goodbye to plastic shopping bags and introduced our new recyclable and FSC-certified paper shopping bags.

Packaging

In our distribution network, we have transitioned away from using plastic void fill for outgoing shipments to our customers and stores. We have introduced a 100% recyclable paper void fill solution.



Total facilities emissions (tonnes CO₂e)



Waste Diversion

We are currently
diverting
68%
of our waste
 to recyclable and
 compostable streams,
 away from landfill
 and incineration.

OUR GOAL

To inspire and support our employees and customers the live their life, on purpose, in their quest to live in harmony with our planet.

Awareness

We are committed to continuously learning. Becoming an environmentally responsible company starts with all of us committing to advancing our understanding of what business practices are harmful to the planet.

Transparency

We will build trust with honesty, transparency, and accountability. We are committed to sharing and communicating our journey. We will continue to deliver an annual impact report that provides updates on our progress.

Communication

We will use our communication platforms to inspire sustainable living with our colleagues, customers, and community.

Advocacy

We will advocate for positive change—both directly within our business and by engaging with our customers. We are committed to influencing our suppliers and business partners to join us on this net-zero journey.

success enablers



OUR GOAL

To ensure that children across Canada, particularly those living in high-needs communities, have access to high-quality books that teach them about environmental issues and responsible environmental stewardship.

Strategic Initiatives:

Understanding the role that books and resources play in inspiring the next generation of environmental activists, the Indigo Love of Reading Foundation has set a goal to expand its environmental literacy supports and launch new programming in 2023.

2021 Activity

In 2021, the Foundation supported 20 schools across Canada by gifting books to underserved elementary schools. To celebrate Earth Month, the foundation partnered with [Let's Talk Science](#) to pair environmentally themed books with easy, fun activities. Each activity was designed to provide practical ways for children to apply their learnings from each book while in the school yard or at their local park.

environmental literacy



methodology

Scope 1: On-Site Consumption

On-site emissions are calculated by collecting the quantity of the fuel consumed and multiplying by a national emission factor associated with the fuel type. Quantity of the fuel consumed is gathered from utility bills. Emission factors are sourced from Canada's National Inventory Report by Environment Canada. Where stores only had dollar data, or no data at all, an estimate are made. The estimate are based on the average natural gas use per square foot of Indigo's stores in each province.

Scope 2: Purchased Electricity

Purchased electricity emissions are calculated by collecting the facility electricity consumption and multiplying by the emissions factor for provincial grid electricity generation. The electricity consumption data was gathered from utility bills. Emission factors are sourced from Canada's Greenhouse Gas Inventory by Environment Canada. Where stores only had dollar data, or no data at all, an estimate are made using the average electricity consumption per square foot of Indigo's stores in each province.

Scope 3: Purchased Goods

Product emissions are calculated by collecting the weight and multiplying by the relevant emission factors for the merchandise category. The product weight are collected from Indigo's internal Product Information Management system. The relevant emission factor are based on global industry average (Ecoinvent Association & the U.K. Department for Environment, Food and Rural Affairs).

Scope 3: Upstream & Downstream Transportation and Distribution

Transportation emissions are calculated by the weight of the goods transported multiplied by the distance traveled and multiplied by the emissions factor associated with the transportation type. Emission factors is sourced from Canada's Greenhouse Gas Inventory by Environment Canada and US Environmental Protection Agency.

Scope 3: Waste

Waste emissions are calculated by collecting the weight of waste and multiplying by the emission factor associated with waste incineration and landfills. Emission factors are sourced from Canada's National Inventory Report by Environment Canada and Intergovernmental Panel on Climate Change Guidelines. Where waste data for stores are unavailable, it was estimated using the average store waste per square foot of Indigo's stores.

Scope 3: Business Travel

Business travel emissions are calculated by collecting data on the annual distance and number of flights. Trips are divided into short, medium, and long-haul flights and then multiplied by the appropriate emission factor. Emissions related to employee stays at hotels are calculated by multiplying the number of nights stayed by an associated emission factor. Emission factors are sourced from the US Environmental Protection Agency's Emission Factors Database and from Indigo's internal data.

Scope 3: Commuting

Indigo conducted a survey to determine how employees travel to work and the distance of their commute and assumed the data was the same for 2019, 2020, and 2021. From these data, average gasoline consumption, distance travelled by bus, and distance travelled by train are multiplied by the number of employees and a corresponding emission factor. Emission factors are sourced from Canada's National Inventory Report and the US Environmental Protection Agency's Emission Factors Database.

Scope 3: Upstream Fuel Production and Electricity Emissions

Emissions from fuel production are quantified using outputs from GHGenius, an industry leading Canadian fuel lifecycle assessment model. An upstream emission factor derived from GHGenius is multiplied by Indigo's natural gas consumption to calculate emissions. Upstream electricity emissions are calculated based on 5% assumed line losses. Emissions are thus equal to 5% multiplied by Indigo's total electricity emissions in the reporting year.



together we can write the future

Learn more about sustainability at Indigo: [indigo.ca/sustainability](https://www.indigo.ca/sustainability)

!ndigo