

Indigo Code of Conduct

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INTRODUCTION – ADHERENCE TO INDIGO’S GUIDING PRINCIPLES

At Indigo we are committed to conducting business with the highest ethical and professional standards, not just because it is a positive reflection on our company or that our customers expect no less, but because it is the right thing to do.

The Indigo Code of Conduct is a set of standards and expectations that serves as a guideline for all employees to follow. It outlines service standards we use when dealing with each other and with our customers and suppliers. These principles and behaviours are considered binding and are agreed upon by everyone who works at Indigo.

The standards and expectations outlined in this Code of Conduct are not exhaustive and should be interpreted together with other Indigo policies and practices.

To maintain our reputation for integrity, we expect all employees to act ethically with the highest standards of integrity and abide by the principles of lawful conduct in all their business dealings. We want you to know our standards, to adhere to them and to advise your manager if the standards are in conflict with any actions you observe.

You are responsible for seeking help or clarification about any standards if you find any particular standards unclear. If you need help or clarification please speak to your manager or Indigo Human Resources.

1. CONFLICTS OF INTEREST

THE EMPLOYEE OBLIGATION

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

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

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

Gifts from Customers or Suppliers

Some jobs at Indigo involve dealing with external vendors, consultants, and suppliers. Indigo expects you to deal honestly and fairly in these business relationships. When choosing a supplier you should factor in quality, price, reputation, relevance and value. You must ensure that suppliers keep Indigo confidential information confidential just as you would theirs.

You should not accept gifts (i.e., over \$100 in value) or other gratuities from customers or suppliers (existing or prospective). You should also not use your position within the company to obtain personal gain from those seeking to do business with the company. Products or services received during the conduct of business (including samples, promotions, etc.) are the property of Indigo.

Please address any question you may have on this matter with your manager.

What We Won't Sell

There are three types of material we will absolutely not carry in our stores no matter the consequence: child pornography; written material with explicit instructions on how to create weapons that could be used for mass destruction; and written material which has as its sole intent inciting people toward the annihilation of a particular group in society.

2. PROTECTION AND PROPER USE OF COMPANY ASSETS

Using Company Facilities after Hours

If you need to enter or use store facilities after normal business hours, you must have the permission of your manager. In most circumstances, you will not have a need to be in our store premises at any time other than a normal working day. Support office employees will be given a security pass card for their office location.

INFORMATION SECURITY

At Indigo Books & Music Inc., we encourage the use of information technologies and electronic communications resources and make them widely available to employees.

We all have to work together to prevent disruptions, overload and misuse of these resources and services. So naturally, the use of company electronic communications resources is limited to company business. It is a corporate policy to secure and protect all information, whether print or electronic. You should not use e-mail or the Internet to access material that contains defamatory, libellous, slanderous or disruptive statements, sexual comments or images. This also applies to comments or images that are discriminatory on the basis of race, national or ethnic origin, colour, age, sex, sexual orientation, marital status, family status, religious beliefs, disability or a pardoned conviction.

Confidential, sensitive or valuable information should not be sent over the Internet unless properly protected or encrypted. Otherwise, you should assume that all information may be seen or read by someone other than the intended recipient. Indigo Books & Music Inc. reserves the right to inspect, monitor, or disclose electronic communications in all circumstances. You should read the Corporate Information Security Policies and Standards to understand your responsibilities.

3. CONFIDENTIALITY

Confidentiality of Indigo Information

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

Disclosure, Confidentiality and Insider Trading

Only the CEO, CFO or Director of Public Relations should be discussing financial information with analysts, investors, shareholders and the media.

Any communication with the media must be made with the prior approval of the Indigo Books & Music Director of Public Relations.

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

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

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

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

Confidentiality of Personnel Information

Indigo maintains employee records consistent with good corporate practice. Information about Indigo employees will not be released outside the company without authorization from Home Office. We respect your right to privacy and will take reasonable steps to ensure that all confidential employment records and information are protected, except where disclosure is required by law.

Protecting Customer Information

At Indigo, the protection of customers' personal information is always a top priority. Indigo's Policy regarding the collection, use and disclosure, if any, of personal information can be broken down into the 10 principles covered in Canada's Personal Information Protection and Electronic Documents Act ("PIPEDA") and is set forth on our website. It is all of our responsibilities to ensure that a customer's personal information is secure. We have designated a Privacy Officer who is accountable for our compliance with this Policy and all applicable privacy laws. We are all responsible for day-to-day compliance.

4. RESPECT IN THE WORKPLACE

Human Rights Policy

Indigo Books & Music Inc. is committed to providing a workplace where each of us is treated with dignity and respect. Indigo is an equal opportunity employer. As part of our commitment to a successful, respectful and productive work environment, we strictly prohibit all forms of discrimination, including harassment. At no time will we discriminate on the basis of any of the following factors: race, colour, ancestry, place of origin, ethnic origin, citizenship, gender, sexual orientation physical or mental disability, age, marital status, appearance, or any other criteria contained in the federal and provincial human rights legislation. We also will ensure that all our policies and decisions relating to the recruiting, hiring, promotion, transfer, layoff, termination, development, compensation

and any other terms and conditions of employment provide for equal rights and opportunities.

Alcohol and Drug-Free Workplace

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

- Possess alcohol or illegal drugs
- Be under the influence of illegal drugs or alcohol
- Use, sell, distribute or manufacture any illegal drug.

Harassment

Our harassment policy supports our belief that our work environment should, at all times, respect the dignity and worth of each of us.

Personal Harassment is a comment or course of conduct that is known, or ought reasonably to be known, to be unwelcome. It can take many forms, including threats, insults, unwanted sexual solicitation or advances, abusive name calling, stereotypical portrayals of men, women, racial or ethnic groups, teasing, or joking.

Psychological Harassment is any behaviour in the form of repeated and hostile or unwanted conduct, verbal comments, actions or gestures that affects an employee's dignity or psychological or physical integrity and that results in a harmful work environment for the employee.

Position Harassment occurs when a person who can grant or deny benefits, such as a member of the management team or other Indigo leader, does any of the following: makes sexual advances or requests; denies, or threatens to deny, a benefit to an employee based on the discriminatory factors noted above.

Harassment Procedures

If you feel you have been the subject of harassment, we request that you take the following actions:

Your first step is to advise the person responsible that the conduct is unwelcome. Those who are acting out of ignorance or a misplaced sense of humour, rather than malice, will often stop once they realize the effect their behaviour is having. If raising your concern makes you uncomfortable or is embarrassing, or if the behaviour persists, contact your manager. If you are a store employee, you may contact your Head of Store. Don't be afraid to raise your issue.

Your manager or the Head of Store will investigate the complaint in as confidential a manner as possible. Please be aware, however, that once you make a complaint, it cannot be anonymous. All those with alleged involvement in the incident have the right to know who is making the complaint.

We will take immediate action to deal with the concerns of any employee who feels targeted by harassment or discrimination. We'll examine each incident thoroughly and apply disciplinary procedures to any individual found to have engaged in any discriminatory act or harassment. Depending on the seriousness and nature of the incident, the discipline may include verbal or written reprimands, temporary suspension without pay, a written or verbal apology, or termination.

We will not take any action against employees who raise issues in good faith. We do, however, recognize the potential damage of unfounded allegations and will take appropriate disciplinary action in cases where this policy is abused.

If you are a manager and you learn of an incident of possible harassment, you must report the incident to the home office. You will not be subject to any reprisal for making your report. In the case of customer harassment, you should speak with your manager.

HARASSMENT BY A CUSTOMER

Employees who are subjected to harassing behaviour by a customer should always politely excuse themselves and notify a manager of the situation. This includes, but is not limited to, threats or abusive behaviour, sexual comments or gestures, or a negative comment made regarding race, gender or ethnicity. Under no circumstances should the employee personally confront the harassing party.

5. STORE OPERATIONS

Attendance – Reporting to Work

Serving our customers well and supporting team members requires that all employees report to work on time ready to participate. Although we recognize that situations will arise from time-to-time that may cause you to be late, we hope that you recognize that the quality of

our service may suffer or other employees may be affected. If you know you are going to be late, please call your manager as soon as possible. This gives your manager some time to make contingency plans to cover for you until you can get to the store.

Separation of Employment

While you may terminate the employment relationship at any time, we ask that if you choose to resign from the company, you observe proper business etiquette and provide your supervisor with at least two weeks written notice prior to leaving. There is an Employee Resignation form, available from your manager, which you can use to provide written notice. You must return all company property upon termination of employment. Final pay will be made in accordance with provincial legislation and company policy.

Immediate Dismissal

There are certain types of behavior and actions by employees that may warrant immediate dismissal. These are some examples and not meant to be an exhaustive list:

- Possession of a weapon on company premises.
- Willful or careless significant damage or destruction to company property or the property of another employee, customer or vendor.
- Theft, attempted theft, or removal of company property or another employee's property from the premises without proper authorization. This includes "strip covers" and discarded merchandise.
- "Borrowing" cash or writing an "IOU" for cash amounts from the registers or safe.
- Falsification of company records, including but not limited to employment applications, payroll and financial reports. This may include punching or making entries into another employee's timecard or timesheet.

- Unauthorized perusal and/or release of confidential information (i.e., contents of personnel files, wages, company finances/sales information, etc) to employees or outside parties.
- Gambling on company premises.
- Hitting, pushing or otherwise striking another person or any other disorderly conduct while on company premises or arising out of company business relations.
- Threatening, open or veiled, verbal or physical, an employee, customer or vendor.
- Harassment (to include sexual) of any employees, vendors, customers.
- Possession, use, sale (or attempted sale) or being under the influence of illegal substances while on company time and/or premises.
- Unauthorized possession, use or being under the influence of alcohol while on company time/or premises.
- Failing to report for work or call in with an acceptable reason for three consecutive workdays (job abandonment).
- Failure to carry out a reasonable job assignment or job request of your manager after being warned that failure to do so may result in termination.
- Conviction of a felony or crime which can reasonably be construed to indicate that continued employment would constitute a threat or hazard to fellow employees, customers, the company, its property or its reputation.
- Unauthorized or inappropriate use of company software, computer networks inter/intranets, or e-mail.
- Serious misconduct.
- Employee Discount abuse, i.e., buying products with your Employee Discount Card and selling it to others at any price.

These examples of reasons for immediate dismissal are not meant to be exhaustive but to serve as examples.

Store Security Policies

- Enter and exit through the front entrance area.
- With the exception of scheduled service calls no one is to be admitted to the store after closing or before opening.
- The back door(s) must always be locked except when merchandise is being received or garbage taken out. If someone knocks to enter, identify him or her first as being an authorized person before you let him or her in.
- The back door should not be opened after dark, under any circumstances.
- Only store employees are allowed in the back room/receiving area and other non-selling areas. If delivery personnel must be in the back room, they should be supervised at all times by a store employee.
- Keep purses and packages in locked lockers; do not bring valuables to work. Indigo does not assume responsibility for personal property brought into the store.
- All employees are subject to a personal bag check prior to exiting the store.

Protecting Company Assets

One of your most important responsibilities is to protect the cash and inventory in your store. You can do this by following cash handling policies and procedures, filling out paperwork accurately and providing the best customer service possible. All employees

working on cash are required to read and sign the cash handling policies and procedures.

Customer Relations

Indigo is about great customer service. Employees should always conduct themselves in a professional manner, recognizing that each customer contributes to the success of the company and its employees. We all share the responsibility in satisfying the needs of the customers through maintaining a high degree of professionalism, understanding and conscientious effort. We should also apply this same commitment when conducting our business relationships by using appropriate and ethical business practices.

Please address any question you may have on this matter to your manager.

Indigo Employee Hotlines

Indigo has three hotlines in place to support employees.

HR Hotline: 1-800-286-9921

The HR hotline is available for you to report any employee or employment related concerns.

LP Silent Witness Hotline: 1-866-789-2652

The Silent Witness Hotline is in place to allow you to confidentially report all store related theft, harassment or vandalism issues.

Financial Reporting Issue Hotline: rjcmjk@rogers.com

The Financial Reporting Issue Hotline is now set up to allow you to report any accounting issues that you feel can not be resolved by a member of the Finance or Accounting management teams.

myindigo.ca

myindigo.ca is our online employee support tool, accessible from all network computers and store kiosks. Here, you can find direct access to the tools you need to help you do your job, share ideas, and keep informed.