At Indigo, we have always believed in taking care of each other, our communities, and our planet.

In 2004, the Indigo Love of Reading Foundation began to invest in a Canada where every child can access books. In 2020, Indigo was the first Canadian retailer to sign The Fifteen Percent Pledge (the 15% pledge), committing to diverse representation across our book selection. In 2021, we committed to a sustainability initiative to reach net-zero by 2035. We have embedded social responsibility in all aspects of our business. We are committed to making a positive impact in our environment and communities. This annual impact report shows how we are progressing towards our goals and commitments, summarizing our performance in 2022.
guiding principles

At Indigo, we believe we can effect change and are committed to living with intention for our employees, customers, communities, and planet.

Our commitments

To operate with full respect for the planet. To leverage responsible sourcing and product development practices that prolong the life of our products while also minimizing the impacts from our waste. To reduce our greenhouse gas (GHG) emissions throughout the business to arrive at net-zero by 2035.

To create a culture where every employee feels like they can be their authentic self at work and where our communities feel represented and welcomed with joy. To intentionally embed diversity, equity, and inclusion in how we work every day.

To engage our employees, customers, vendors, and broader community in supporting the Indigo Love of Reading Foundation and its mission to promote children’s literacy and build a more equitable Canada through the power of reading.
A NOTE FROM INDIGO

We’re happy to share with you our annual Impact Report, a testament to our unwavering commitment to drive positive and meaningful change both socially and environmentally. We know we’re not perfect, and we know there is still a great deal of work to be done. But we also believe that transparency and accountability are paramount to our success as we continue to push forward.

Indigo is on a mission to help customers live their life, on purpose. We know what we stand for; and we want our customers to know it too. In a world where conscious consumerism is gaining momentum, Canadians are looking inward, prioritizing their overall well-being and investing in brands that align with their values. Each purchase they make becomes a vote for a more sustainable and equitable future.

Whether it’s a book that changes the way you think or a product that makes life a little brighter, we are intentionally designing and buying the best responsibly made products with a unique combination of beauty, function, and longevity. This past year, 90% of our waste was diverted to compostable and recyclable streams at our distribution centres and we reduced our facility emissions by 28% compared to our base year. There is no avoiding the fact that operational impacts exist within every business, but we’re ready to tackle this head on as we work to minimize our impact on our path to net-zero by 2035.

We also firmly believe that a diverse and inclusive community fosters creativity and drives better business outcomes. We’ve increased the representation of Black, Indigenous, and People of Colour (BIPOC) authors in the books we feature online and in store to 26%, exceeding our goal of 15% since taking The Fifteen Percent Pledge in 2020. We remain dedicated to supporting children in high-needs schools across the country. Every year, 1% net proceeds of all kids’ and baby books sold at Indigo go to the Indigo Love of Reading Foundation. In celebration of Indigo’s 25th anniversary, Indigo and the Foundation announced a partnership to raise an additional $25 million by 2033 to help make Canada the most literate country in the world.

We don’t shy away from a challenge. While this commitment is ambitious, it’s also a long-term investment in our future, made possible through the passion and dedication across all our teams. Building on this, we promise to continue to report our progress along the way as we accelerate our efforts to reach our goals. Together, we’re shaping the future, where the success of any business is inextricably tied to its positive social and environmental commitments.
Indigo is a living with intention company. Through stories and ideas, we inspire connection with what matters most to you, so you can do more of what you love.

Overview

Indigo is Canada’s leading book and lifestyle retailer. It was formed as a result of the August 2001 amalgamation of Chapters Inc. and Indigo Books & Music Inc. Indigo offers a curation of products—from books to kids to home—that supports customers’ journey to Living with Intention™.

Indigo operates retail stores in all 10 provinces and one territory in Canada, and also has retail operations in the United States through a wholly-owned subsidiary, operating one retail store in Short Hills, NJ. The retail network includes 87 superstores under the Indigo and Chapters names, as well as 84 small-format stores under the banners Coles and Indigospirit. Retail operations are seamlessly integrated with the company’s digital channels, including the indigo.ca website and the mobile applications, which are extensions of the physical stores and offer customers an expanded assortment of book titles along with a meaningful curation of general merchandise. The company also offers a marketplace assortment of giftable products, experiences, services, and subscriptions on thoughtfull.co.

Indigo supports a separate registered charity, the Indigo Love of Reading Foundation, which is committed to addressing educational inequality and, more specifically, the literacy crisis in Canada. The Foundation provides resources including new books and learning materials, training, and year-round curation support to high-needs elementary schools and children across the country, through donations from Indigo, its customers, its suppliers, and its employees.

our story

We opened our first Indigo store in Burlington, Ont., in 1997.
impact highlights

We’ve made progress against our goals: reducing GHG emissions; embedding diversity, equity, and inclusion in our work; and through our partnership with the Indigo Love of Reading Foundation.

- **26%** of books featured in store and online are written by BIPOC authors, exceeding our goal of 15%.
- **90%** of our waste is diverted to compostable and recyclable streams at our distribution centres.
- **28%** reduction in emissions at our facilities compared to our 2019 base year.
- **$25M** the most ambitious fundraising goal ever set by Indigo and the Indigo Love of Reading Foundation in support of children’s literacy.
“What we do today matters. By choosing to prioritize sustainability every day, we have the power to inspire and influence others to do the same. Small, individual changes can have a big, collective, and lasting impact on our planet and on future generations.”

Ashleigh Ooi
Specialist, Sustainability and Ethical Sourcing
In 2019, we set reduction targets for our facilities, products, transportation, and waste activities. In 2022, we saw a 5% reduction in overall GHG emissions compared to our 2019 base year.

Sustainability underpins the work we do at Indigo, and we remain committed to moving quickly and with determination towards a sustainable future. Indigo’s net-zero journey focuses on minimizing the operational impacts from its facilities, waste, and logistics. We also aim to reduce emissions through product sourcing and advocacy initiatives that will encourage suppliers and publishers to prioritize sustainable materials and responsible production practices.

By 2035, we will reach:
- 20% reduction in our emissions by 2025 compared to our business-as-usual forecast
- 50% reduction in our emissions by 2030 compared to our business-as-usual forecast
- Net-zero emissions by 2035 compared to our business-as-usual forecast
## 2022 progress

### Scope 1: Direct GHG Emissions

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Emissions from the on-site fossil fuel consumption from heating and cooling our facilities, as well as the fugitive emissions from refrigerant leaks.</td>
<td>Heating &amp; cooling our facilities</td>
<td>9,186 tonnes CO₂e¹</td>
<td>7,046 tonnes CO₂e²</td>
<td>8,051 tonnes CO₂e³</td>
<td>6,541 tonnes CO₂e⁴⁻²³</td>
</tr>
</tbody>
</table>

### Scope 2: Indirect GHG Emissions

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Emissions that result from the generation of electricity from a utility provider for our offices, distribution centers, and retail facilities.</td>
<td>Purchased electricity</td>
<td>10,820 tonnes CO₂e²</td>
<td>9,653 tonnes CO₂e³</td>
<td>8,726 tonnes CO₂e⁴</td>
<td>7,776 tonnes CO₂e⁴⁻²³</td>
</tr>
</tbody>
</table>

### Scope 3: Indirect GHG Emissions

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Emissions from all other upstream and downstream activities, including production of products, transportation and distribution, waste, employee commuting, business travel, upstream fuel production and extraction, and losses for purchased grid electricity.</td>
<td>Product, Logistics (inbound), Logistics (outbound), Waste, Employee commuting, Business travel, Fuel production &amp; extraction, Losses for purchased grid electricity</td>
<td>139,442 tonnes CO₂e⁴⁻⁶</td>
<td>113,898 tonnes CO₂e⁴⁻⁶</td>
<td>128,856 tonnes CO₂e⁴⁻⁶,⁷</td>
<td>136,916 tonnes CO₂e⁴⁻⁶,⁷</td>
</tr>
</tbody>
</table>

---

¹ Indigo reports emissions in accordance with the Greenhouse Gas Protocol for Scope 1 emissions, Scope 2 emissions, and Scope 3 Category 3 emissions. Indigo reports emissions using internally developed data for product emissions, logistics emissions, and the waste diversion rate. See appendix for methodologies. Indigo reports emissions following the operational control approach, which includes all facilities within the organizational boundary (stores, offices, distribution centers) over which Indigo has the authority to introduce and implement policies. Third-party sites, although not within Indigo’s operational control, may still be included and captured in Indigo’s Scope 1 and 2 emissions and are insignificant to the overall emissions inventory.

² We revised our 2019 base year emissions after updating the estimation methodology using average consumption intensities based on Natural Resources Canada (NRCan) data for Scope 1 emissions and Scope 2 emissions when no activity data is available, also applying the calculation changes to 2020 and 2021. See methodology in appendix for details.

³ We revised our 2019 base year emissions after identifying an error in emission factor categorization in product emissions, also applying the calculation changes to 2020 and 2021.

⁴ We revised our 2019 base year emissions after identifying an additional source of emissions in Scope 3 Category 3 emissions, also applying the calculation changes to 2020 and 2021.

⁵ We revised our 2019 base year emissions after defining the manner in which we allocate emissions to product categories, also applying the calculation changes to 2020 and 2021.

⁶ We revised our 2019 base year emissions after defining the extent of activity data used to allocate emissions, also applying the calculation changes to 2020 and 2021.

⁷ Revisions in activity data in 2022 and 2021 product emissions include the addition of a print subcategory. This amount overall is insignificant and thus prior years have not been restated in accordance with our base year reconciliation policy.
## 2022 progress

### Category: Product

<table>
<thead>
<tr>
<th>Goal</th>
<th>Description</th>
<th>Emissions(^5)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Emissions from Indigo's products sold, excluding services, including books, private label brands, and national brands (tonnes CO(_2)e)</td>
<td>2019: 112,404&lt;br&gt;2020: 91,902&lt;br&gt;2021: 99,016&lt;br&gt;2022: 111,467&lt;sup&gt;10&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

### Category: Facilities

<table>
<thead>
<tr>
<th>Goal</th>
<th>Description</th>
<th>Emissions(^9)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>The sum of Scope 1 and Scope 2 emissions from Indigo's stores, offices, and distribution centres (tonnes CO(_2)e)</td>
<td>2019: 20,006&lt;br&gt;2020: 16,699&lt;br&gt;2021: 16,777&lt;br&gt;2022: 14,317</td>
</tr>
</tbody>
</table>

### Category: Logistics

<table>
<thead>
<tr>
<th>Goal</th>
<th>Description</th>
<th>Emissions(^7)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Emissions from the inbound, outbound, and e-commerce transportation and distribution (tonnes CO(_2)e)</td>
<td>2019: 14,711&lt;br&gt;2020: 11,316&lt;br&gt;2021: 18,537&lt;br&gt;2022: 14,283&lt;sup&gt;10&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

### Category: Waste

<table>
<thead>
<tr>
<th>Goal</th>
<th>Description</th>
<th>Emissions(^10)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Scope 3 Category 5 emissions from waste sent to landfill or waste diverted from our stores, distribution centres, and offices (tonnes CO(_2)e)</td>
<td>2019: 7,186&lt;br&gt;2020: 6,322&lt;br&gt;2021: 6,961&lt;br&gt;2022: 6,888&lt;sup&gt;10&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Waste diversion rate for our stores, distribution centres, and home office (%)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>66%</td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>67%</td>
<td></td>
</tr>
<tr>
<td>2021</td>
<td>68%</td>
<td></td>
</tr>
<tr>
<td>2022</td>
<td>66%&lt;sup&gt;10&lt;/sup&gt;</td>
<td></td>
</tr>
</tbody>
</table>

---

\(^5\) See appendix for methodologies.  
\(^9\) As expressed in tonnes CO\(_2\)e, CO\(_2\) comprises 95% of the Scope 1 emissions and 99% of Scope 2 emissions. CH\(_4\), N\(_2\)O, and HFCs are not material to Indigo’s emissions. PFCs, SF\(_6\), and NF\(_3\) are not applicable to Indigo’s operations.  
\(^10\) Included within the scope of limited assurance provided by EY.
environmentally sustainable products

OUR GOAL to deliver environmentally sustainable products by leveraging sustainable designs, responsible sourcing practices, and certified sustainable materials.

2022 activity
Product emissions account for approximately 74% of our total carbon footprint. In 2022, our product emissions increased by 13% compared to 2021 and decreased 1% compared to our 2019 base year. Products are our largest emissions source.

Sustainable materials
In 2022, we continued to prioritize sustainability across our private brands as part of our general merchandise strategy. These private brands are designed to leverage sustainable materials. Our design, sourcing, and buying teams develop high-quality, thoughtfully made products our customers can feel good about.
In 2021, we embarked on a mission to design our products in a more sustainable way. In 2022, we officially launched Carta, our in-house collection of consciously developed travel goods.

Our versatile line of consciously developed travel goods made with 100% recycled materials. We chose rPET\(^\text{11}\) for Carta due to its durability, longevity, and lessened environmental impact. Recycled materials are an important part of our sustainable product strategy, allowing us to create products from pre-existing materials. In doing so, we’re able to keep valuable materials out of landfill while creating high-quality goods with a minimized impact on the planet.
In 2020, we launched The Littlest, our line of high-quality baby essentials with an emphasis on responsible materials. In 2022, we continued to feature certified organic cotton throughout the collection.

Our baby brand, The Littlest, features a selection of essentials made with 100% certified organic cotton. We prefer organic cotton over conventional cotton due to its improved environmental management and responsible production. Organic fibres are grown without the use of synthetic pesticides, such as insecticides or herbicides, and GMOs (Genetically Modified Organisms), according to the principles of organic agriculture. Organic agriculture sustains the health of ecosystems, soils, and people.
Our Love & Lore® sleepwear is mindfully tailored from 100% TENCEL™ Lyocell, a sustainably made fabric featuring wood-based fibres.

We believe in designing products with intention. The materials used in our Love & Lore® products are selected because they positively impact the planet, and your life. Lenzing™ ECOVERO™ and TENCEL™ Lyocell are prized for their superior quality and responsible production processes.

Compared to conventional viscose, the production of Lenzing™ ECOVERO™ has a substantially smaller environmental footprint. All trees harvested to produce Lenzing™ ECOVERO™ are certified and sustainably controlled by either the Forest Stewardship Council or Programme for Endorsement of Forest Certification schemes and are entirely traceable every step of the way. More than 60% of the trees used to produce the fibre come from Austria and Bavaria to ensure lower emissions. Nearly all the chemicals used during the production of Lenzing™ ECOVERO™ are recovered and reused, causing 50% fewer emissions and using half as much energy and water as conventional viscose. TENCEL™ Lyocell fibres also originate from wood, a renewable raw material. The certified biobased fibres are manufactured using a fully closed-loop system, meaning it recycles process water and reuses the solvent at a recovery rate of more than 99%. The fibres are certified as compostable and biodegradable, and thus can fully revert back to nature.

Learn more about Lenzing products here.
Our supplier partners play an important role in helping us progress towards our goals. Penguin Random House is a key publishing partner to Indigo, with a policy on sustainable sourcing and production that reflects their values of conservation. Penguin Random House is committed to the practices of responsible book publishing. Here are some of their initiatives:

**Use of sustainable paper**
As of 2021, more than 96% of all paper sourced by Penguin Random House worldwide for its books comes from mills certified by the Forest Stewardship Council or the Sustainable Forestry Initiative.

**Green electricity**
In 2021, more than 80% of Penguin Random House worldwide was supplied by green electricity.

**Climate neutrality**
Penguin Random House is working towards being climate neutral by 2030. The company will achieve this through a combination of emissions reductions strategies as well as the use of green electricity.

Learn more about Penguin Random House’s commitments [here](#).
STRATEGIC INITIATIVES

Emissions reduction

We are on the journey to better understanding emissions from the production of our products by collecting emissions data from suppliers and publishers. We will encourage our suppliers and publishers to join us on this journey and take action to protect the environment.

Sustainable materials

We are committed to prolonging the life of products by developing and sourcing high-integrity merchandise that meet customers’ needs and expectations. We are providing 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.
facilities

**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.

**2022 activity**

We are mindful of our energy consumption as facilities emissions account for almost 10% of our total carbon footprint. We continue to work on energy-reducing initiatives and have seen a 15% reduction in our facilities emissions compared to 2021 and a 28% reduction compared to our base year of 2019.

Lighting upgrades continue at our distribution centres—replacing conventional light fixtures with higher-energy-efficient and longer-lasting LEDs. We have also initiated a pilot project at the Online Distribution Centre to optimize motion-sensor lighting and reduce overall energy consumption, with plans to implement changes across all three distribution centres.

We completed an energy management system pilot program in select retail stores last year, and participating locations saw more efficient energy consumption. In total, we have installed the system in seven stores with plans to continue rolling it out across our retail network.
facilities

STRATEGIC INITIATIVES

Energy management systems
We are implementing 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 as well as control and optimize our systems for reduced energy use.

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 where possible to improve the performance of our buildings.
OUR GOAL to reduce emissions from our inbound and outbound transportation through operational efficiencies and by moving towards cleaner logistics.

2022 activity
Transportation activities account for over 9% of our total carbon footprint. We saw a 23% decrease in overall emissions from our logistics compared to 2021 and a 3% decrease from our 2019 base year. Efficient planning in 2022 resulted in an 81% decrease in air freight emissions. We will continue to prioritize transportation by ocean, truck, or rail where possible.

In response to changing consumer behaviours, we have seen an accelerated shift to online shopping since 2019. With the growth of our online business, there has been an increase in our outbound logistics emissions compared to our base year, but emissions have decreased compared to 2021. As we better understand shifting customer trends, we will continue to adjust our approach to lower the environmental impact from our logistics.
STRATEGIC INITIATIVES

Operational efficiency
We’re increasing the productivity and efficiency of our shipments to reduce greenhouse gas emissions. Through improved planning, we will become more efficient in our outbound transportation, lowering the number of trips needed to fulfill our inventory needs at retail stores.

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 encourage the lowest-impact shipping method.

Lowest emission options
We will seek low-emitting transportation options by partnering with our logistics providers. As 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.
waste

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

2022 activity
Waste accounts for almost 5% of our total carbon footprint, with emissions decreasing by 1% compared to 2021 and decreasing by 4% compared to our base year, 2019. We also currently divert 66% of our waste across all facilities to recyclable or compostable streams, away from landfill. However, in our distribution centres, we are diverting 90% of waste.

Our distribution centres and retail facilities continue to conduct annual waste audits to help inform initiatives that will increase diversion rates and reduce waste emissions. We recognize the importance of prioritizing education and awareness with our colleagues and will continue to encourage best practices and work closely with our waste service providers for future improvements.

Shopping bags
We are now taking steps to eliminate single-use shopping bags. In 2023, we will begin the transition to new reusable bags made from 100% recycled material.

Packaging
A new program was implemented in our Calgary distribution centre to use a stretch film that is 100% recyclable and 100% biodegradable, leaving behind no micro waste in the environment.

We also continue to use 100% recyclable paper packaging fill instead of traditional plastic in our distribution network for outgoing shipments to our customers and stores.

Habitat for Humanity
Indigo has partnered with Habitat for Humanity’s Habitat ReStore in support of home-building projects in 23 local Habitats across Canada. By providing gift-in-kind donations of select lifestyle products, the initiative not only keeps valuable materials out of landfills but also helps build stronger communities. Habitat ReStore is a social enterprise retailer that partners with organizations that provide donations of overstock inventory, seasonal items, and customer returns to be sold at ReStore locations across Canada, with 100% of the proceeds funding homebuilding projects for families in need.
STRATEGIC INITIATIVES

Waste diversion
We are committed to increasing our waste diversion across our retail stores and distribution centres. We 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% 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.
“Diversity is an inexorable quality of life, one that should be celebrated and fought for. We can all make choices that help ensure the world is more inclusive of this fact, be it by supporting diverse creators, ethically sourcing what we buy, or learning more about impactful allyship. Not taking action is an action in and of itself.”

Haille Bailey-Harris
Manager, Diversity, Equity & Inclusion
diverse representation

OUR GOAL to intentionally reflect and amplify the voices of diverse communities across Canada through product, marketing, and other customer-facing experiences.

STRATEGIC INITIATIVES

Product diversity
We continue to focus on representing diverse communities across Canada with our publishers, products, and brands. By signing The Fifteen Percent Pledge, we have committed to reflecting BIPOC communities through books and general merchandise.

Recruitment
We will develop partnerships with organizations to help us connect to a wide variety of diverse communities. We continue to analyze best practices in talent acquisition to ensure we are addressing roadblocks in hiring from diverse communities.

Community representation
We continue to drive diverse representation across social media platforms, marketing, and creative studio.
The Fifteen Percent Pledge Canada is a non-profit advocacy organization based in the United States that's urging major retailers to commit 15% of their shelf-space to BIPOC-owned businesses in Canada. It offers large corporations accountability, support, and consulting services with the goal of advocating for and supporting BIPOC-owned businesses. The 15% Pledge Canada seeks economic equality and prosperity for BIPOC future founders, BIPOC students, and BIPOC people in the workforce.

Launched in June 2020 by Aurora James, the initiative was born from seeing multiple acts of social injustice and police brutality in the United States with a lack of accountability for the systemic issues at play.

In addition to Indigo, businesses including Nordstrom, Sephora, Vogue, Madewell, Gap, and Hudson’s Bay have committed to the 15% Pledge.

For more information, visit 15percentpledge.ca.

Artwork by Toronto-based artist Rachel Joanis.
product diversity
our 15% pledge

In 2020, Indigo was the first Canadian retailer to sign the pledge and maintain the following commitments:

<table>
<thead>
<tr>
<th>OUR 15% PLEDGE COMMITMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>15% of the books on display in store and new to our assortment will be written by BIPOC authors by the end of 2021</td>
</tr>
<tr>
<td>15% of our lifestyle assortment will be sourced from BIPOC-owned businesses in the next 2 to 5 years</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OUR RESULTS TO DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>23% of the books on display in store and new to our assortment will be written by BIPOC authors in the next 2 to 5 years</td>
</tr>
<tr>
<td>26% of our books featured in store and online are written by BIPOC authors, and we are making meaningful progress in our overall lifestyle assortments</td>
</tr>
</tbody>
</table>

Every year we will measure the makeup of our assortment to ensure it represents the diverse population of Canada.

We continue to internally set new goals. Our philosophy is to represent Canada’s population based on the Canadian government’s census.

12 EY provides limited assurance over 15% pledge results
DE&I assessment

Knowing where we stand is crucial to informing our decisions and focus from a DE&I perspective. To determine this, we’ve partnered with Diversio to conduct a survey that measures overall diversity and inclusion across the business. The survey provides the overall makeup of the organization and allows for comparisons between the inclusion scores of identified diverse groups, industry averages, and the dominant group within Indigo.

2023 is the second year of our partnership with Diversio, which currently marks Indigo as above the industry average for its inclusive environment. We will internally publish our results and progress and use our findings to inform our overall DE&I strategy and focuses.
inclusive & equitable environment

OUR GOAL to intentionally embed diversity, equity, and inclusion in how we work every day. To create a culture where every employee feels like they can be their full, authentic self at work.

STRATEGIC INITIATIVES

Support & direction
Investing in the growth of our teams and supporting them on their DE&I journeys is key to creating a more inclusive and equitable environment. Creating safe spaces, such as Employee Resource Groups, allows for maximum support and safety and creates a more inclusive workplace.

Benefits & flexibility
From holistic family support to more inclusive benefits, we know that creating a more diverse, equitable, and inclusive environment starts here.

DE&I assessment and research
Knowing where we’re at is key to challenge systemic changes.

DE&I learning
Providing access to meaningful training and resources allows us to enact real change and create a more inclusive environment and world.
benefits & flexibility

As a key pillar in creating a workplace that’s reflective of Canadian communities, we focus on benefits and work culture that is:

**Inclusive**
We have restructured and broadened our family support options. We know that every family is different, and our benefits need to reflect that. Everyone’s personal journey and needs are different, which is represented in the flexibility of working environments, structures, and support options available.

**Fulfilling**
From impactful employee discounts to expanded days off, we aim to put as much value as possible in our teams’ hands.

**Expansive**
In addition to providing benefits and workplace flexibility that’s reflective of the needs of a diverse array of communities, we have also committed to reviewing and restructuring as these needs grow and change.
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.

We insist that our vendors and their suppliers uphold the highest ethical standards in their workplace, business practices, conduct, and policies. Indigo expects its suppliers to embrace this commitment to integrity by complying with the standards detailed in our Vendor Code of Conduct.

In addition to adhering to this code, vendors must always comply and stay updated with local laws and regulations in each of the countries in which they do business. Our code is based on the United Nations Universal Declaration of Human Rights, International Labor Organization Conventions and Recommendations, and other internationally accepted standards.

Through our social compliance program, private label brand suppliers must be audited every year by accredited third-party service providers. Our social compliance program affirms our position against child labour, forced labour, discrimination, and abuse/harassment. It also ensures fair wages, benefits, working hours, and health and safety practices.
“We need young people from all walks of life to be equipped with the creativity, critical thinking skills, empathy, curiosity, and drive to tackle the big challenges our country will face in years to come. Investing in the next generation of readers is investing in the next generation of leaders.”

Rose Lipton
Executive Director, Indigo Love of Reading Foundation
children’s literacy

The quality and quantity of books available to children can vary greatly based on families’ socio-economic background, location, and other factors. That’s why Indigo supports a separate registered charity called the Indigo Love of Reading Foundation. The Foundation works year-round to provide resources to students and educators to promote literacy in underserved communities.

Thanks to the support of Indigo and its customers, employees, and suppliers, the Foundation has committed over $35 million to more than 1,000,000 students across Canada since 2004. Each year, 1% of net proceeds from all kids’ and baby books sold at Indigo goes to the Indigo Love of Reading Foundation. As part of Indigo’s 25th anniversary, Indigo and the Foundation announced a partnership to raise an additional $25 million by 2033 to help make Canada the most literate country in the world.

To learn more about the Indigo Love of Reading Foundation and its impacts, visit www.indigoloveofreading.org.
As part of Indigo’s commitment to sustainability, Indigo partnered with the Indigo Love of Reading Foundation to launch a new environmental literacy initiative called Read for the Planet. This initiative is designed to use the power of reading to encourage students to become responsible stewards of the environment.

The Indigo Love of Reading Foundation has designed lesson plans and a selection of new eco-themed books and e-books to support educators. The initiative will run into 2023, with participation from over 60 elementary schools. As a result, Read for the Planet will reach more than 1,500 students across the country, inspiring not only a love of reading but a love for our planet.

To learn more about the Read for the Planet initiative and why it’s important to support the next generation of changemakers, visit: indigoloveofreading.org/read-for-the-planet.
Our Love & Lore® pajamas are mindfully tailored from certified renewable wood sources and made using 50% lower emissions and water than generic viscose pajamas.
This report is for the calendar year starting on January 1, 2022, and ending December 31, 2022. Indigo has engaged Ernst & Young LLP (EY) to provide limited assurance over select key performance indicators, including Scope 1 and Scope 2 GHG Emissions (location-based) ("facility emissions"), product emissions, logistics emissions, Scope 3 Category 5 waste generated in operations, waste diversion rate, and The Fifteen Percent Pledge results relating to the percentage of featured BIPOC-authored titles. See Independent Practitioner’s Assurance Report for detail.

Indigo’s sustainability program is led by the director of sustainability. 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 consists of representatives from across the organization that support strategic initiatives within their respective business units.

Indigo’s DE&I team is led by the DE&I manager with full oversight from the executive team. We have also formally launched a diversity council, which engages four Employee Resource Groups (ERGs): Accessibility and Wellness Indigo Network (AWIN); Black Employee Initiative (BEI); Bound for Better Pride Network (BBPN); and Pan-Asian and Allies Network (PAAN).

The Indigo Love of Reading Foundation is a separate registered charity supported by Indigo and led by the Indigo Love of Reading executive director. The Foundation is committed to addressing educational inequality, and, more specifically, the literacy crisis in Canada with the support of Indigo and its customers, employees, and suppliers.
Scope 1: Direct GHG Emissions

Direct GHG 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. Provincial NRCan intensities are used to estimate consumption at facilities, based on square footage, where activity data is not available, including facilities where data on the use of natural gas as a fuel type is not available. NRCan provincial retail trade intensities are used for stores and offices; provincial wholesale trade intensities are used for distribution centres. An intensity for the New Jersey facility was sourced from the U.S. Energy Information Administration Commercial Buildings Energy Consumption Survey 2018 and considers the facility size and geographical location. Natural gas consumption was confirmed for 85 facilities and confirmed not to be used for 8 facilities; propane consumption was confirmed for 4 facilities and the remaining 84 facilities used natural gas estimates. Of the 84 facilities where natural gas estimates are used (approximately 45% of emissions), 53 facilities are assumed to use natural gas as the fuel type is indeterminate and natural gas is the most common fuel type for Indigo’s Scope 1 emissions. For refrigerants, emissions are calculated by recording refrigerant leaks by facility and multiplying by the relevant Global Warming Potential. Activity data was available for 102 facilities and was not quantified for the remaining 79 facilities.

Scope 2: Indirect GHG Emissions

Indirect GHG emissions are calculated by collecting the facility electricity consumption and multiplying by the emission factor for provincial grid electricity generation. The electricity consumption activity data is gathered from utility bills. Emission factors are sourced from Canada’s Greenhouse Gas Inventory by Environment Canada. Provincial NRCan intensities are used to estimate consumption at facilities, based on square footage, where activity data is not available. NRCan provincial retail trade intensities are used for stores and offices, provincial wholesale trade intensities are used for distribution centres. An intensity for the New Jersey facility was sourced from the U.S. Energy Information Administration Commercial Buildings Energy Consumption Survey 2018 and considers the facility size and geographical location. Activity data was available for 130 facilities, while the remaining 51 used estimated values. Approximately 16% of Scope 2 emissions are calculated using estimates.

Product Emissions

Product emissions are prepared in accordance with internally developed criteria using the average-data method consistent with the Greenhouse Gas Protocol Technical Guidance. Individual product weights are collected and multiplied by the quantity of sales and then multiplied by the relevant emission factors for the merchandise category. Product weights and sales quantities are collected from third-party logistics service providers or transportation companies. Emission factors are sourced from Canada’s Greenhouse Gas Inventory by Environment Canada and US Environmental Protection Agency. Approximately 27% of our logistics emissions are calculated using actual distances. Where actual distances are unavailable, an “As the Crow Flies (ACF)” distance is used. An ACF distance measures the straight-line distance between two points, irrespective of road routes. The ACF distance is calculated using the Haversine formula, with a 1.5 factor applied to account for road networks. Approximately 62% of all logistics emissions are estimated using this methodology.

Logistics Emissions

Logistics emissions are prepared in accordance with internally developed criteria using the distance-based method consistent with the Greenhouse Gas Protocol Technical Guidance. The weight of the goods transported is collected and multiplied by the distance traveled and then multiplied by the emissions factor associated with the transportation type. Both weight and distance activity data are sourced from third-party logistics service providers or transportation companies. Emission factors are sourced from Canada’s Greenhouse Gas Inventory by Environment Canada and US Environmental Protection Agency. Approximately 27% of our logistics emissions are calculated using actual distances. Where actual distances are unavailable, an “As the Crow Flies (ACF)” distance is used. An ACF distance measures the straight-line distance between two points, irrespective of road routes. The ACF distance is calculated using the Haversine formula, with a 1.5 factor applied to account for road networks. Approximately 62% of all logistics emissions are estimated using this methodology.
methodology

Scope 3 Category 5: Waste Emissions

Waste emissions are prepared in accordance with the Greenhouse Gas Protocol Technical Guidance for Calculating Scope 3 Emissions and is calculated using the average-data method by collecting the weight of waste in metric tonnes and multiplying by the associated emission factor.\(^2\) Emission factors are sourced from Canada's National Inventory Report by Environment Canada and Intergovernmental Panel on Climate Change Guidelines and emission factors for recycling and compost are sourced from the Emission Factors for Greenhouse Gas Inventories by the United States Environmental Protection Agency. Approximately 34% of facilities use real activity data sourced from third-party value chain partners.\(^2\)

Where waste activity data is unavailable, it is estimated using either the average facility waste, per square foot, or the average waste emissions intensity, per square foot, from stores with actual data and applied to Indigo's facilities based on square footage. Approximately 66% of facilities use estimated emission values.

Waste Diversion Rate

Waste diversion rate is prepared in accordance with internally developed criteria and calculated by dividing the weight of diverted waste by the weight of total waste landfilled then multiplying by 100 to get a percentage of recycled and/ or composted volume. The waste diversion rate does not include all facilities, and only includes facilities where both actual waste tonnage data and diverted waste tonnage data are available. The rate is based on activity data from 62 facilities (representing approximately 34% of facilities) sourced from third-party value chain partners. Due to this limitation, year over year comparability may be affected as the size of the boundaries may change based on the availability of activity data in a given year.

Business Travel Emissions

Business travel emissions are calculated by collecting activity data on the annual distance by air or personal car and number of flights/trips. For air travel, trips are divided into short, medium, and long-haul flights and then multiplied by the appropriate emission factor. For personal car mileage, activity data is collected by Indigo's internal system and is calculated by multiplying distance in KM by an associated 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.

Commuting Emissions

Indigo conducted a survey to determine how employees travel to work and the distance of their commute and assumed the activity data was the same for 2019-2022. From the activity 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.

Upstream Fuel Production and Electricity Emissions

Emissions from fuel production are quantified using outputs from GHGenius, an industry leading Canadian fuel life cycle 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.

---

\(^1\) Assumptions: 1) all waste is sent to landfill and not incineration and 2) waste is biodegradable in the absence of audited data.

\(^2\) 100% of actual waste data is sourced from value chain partners.
methodology

Base Year Recalculation Policy

For purposes of greenhouse gas (GHG) emission reporting and goal setting, Indigo has selected the base year of 2019. This base year was selected because it is the earliest relevant point in time for which there is reliable and verifiable emissions data. There are certain situations that may trigger a recalculation of the base year emissions. Those situations include the following: 1) structural changes in the reporting organization, which may include divestitures, acquisitions or mergers that significantly impact base year emissions, 2) changes in calculation methodology, improvements in the accuracy of emission factors or activity data that significantly impact base year emissions, and 3) discovery of significant errors or several cumulative errors that are collectively significant. If the cumulative effect of any of these situations equals or exceeds a significance threshold of 5% of total base-year emissions, a base year recalculation will be triggered. A base-year recalculation where changes represent less than 5% of base-year emissions may also be carried out at Indigo’s discretion. Base and historic year emissions recalculations will not occur for organic growth/decline, such as new stores or permanent closures. Base year adjustments will be evaluated at the beginning of each calendar year and publicly restated in the next impact report, which covers the previous calendar year.

PEOPLE

The 15% Pledge (The Fifteen Percent Pledge)

The 15% pledge is prepared in accordance with internally developed criteria and calculated by dividing the # of BIPOC authored titles featured by the total number of titles featured then multiplying by 100 to get a percentage. One title could be featured multiple times within a store and across multiple stores and thus can be included more than once in the calculation. Numbers are collected and organized by merchandising quarter (Winter, Spring, Summer/Fall, Holiday). Featured indicates books that are planned for visibility (on display) in-store and online. Information about authors, including their BIPOC status, are reported by publishers. “Titles” refers to unique ISBNs, meaning that some books may have multiple entries due to multiple editions with distinct ISBNs.

BIPOC status includes racialized/ethnic groups which fall into the following categories: Black, Indigenous, Latinx, and Pan-Asian. BIPOC categories are open the interpretation of Publishers and authors, and loosely attempts to encapsulate racialized/ethnic groups outlined in Canadian census data. Some gaps may exist around groups which the Canadian government labels as “n.i.e” (not included elsewhere), as this isn’t a group(s) that we collect data for, or that most publishers provide. Considering the respective size of this group in Canada, we expect the impact of this potentially missing data to be immaterial and would likely not increase the amount of BIPOC authored titles by a significant amount.

23 International Standard Book Number refers to a unique 13-digit number that identifies each specific edition of a book from a publisher. ISBNs are used by publishers to sell and distribute their publications worldwide.
INDEPENDENT PRACTITIONER’S ASSURANCE REPORT

To the Management of Indigo Books and Music

Scope

We have been engaged by Indigo Books and Music Inc. (“Indigo”) to perform a ‘limited assurance engagement,’ as defined by Canadian Standards on Assurance Engagements, hereafter referred to as the engagement, to report on select performance indicators detailed in the accompanying Schedule (collectively, the “Subject Matter”) contained in Indigo’s 2022 Impact Report (the “Report”).

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

Criteria applied by Indigo

In preparing the Subject Matter, Indigo applied the applicable guidance contained within the Greenhouse Gas (“GHG”) Protocol: A Corporate Accounting and Reporting Standard and Scope 2 Guidance (“GHG Protocol”) and internally developed criteria (collectively, the “Criteria”), as identified and described in the accompanying Schedule. The internally developed criteria were specifically designed for the preparation of the Report. As a result, the Subject Matter may not be suitable for another purpose.

Indigo’s responsibilities

Indigo’s management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

EY’s responsibilities

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the Canadian Standard on Assurance Engagements (“CSAE”) 3000, Attestation Engagements Other than Audits or Reviews of Historical Financial Information (“CSAE 3000”) and CSAE 3410, Assurance engagements on Greenhouse Gas Statements (“CSAE 3410”). These standards require that we plan and perform our engagement to obtain limited assurance about whether, in all material respects, the Subject Matter is presented in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

Our Independence and Quality Control

We have complied with the relevant rules of professional conduct / code of ethics applicable to the practice of public accounting and related to assurance engagements, issued by various professional accounting bodies, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

EY applies Canadian Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.
Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management’s internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making inquiries, primarily of persons responsible for preparing the Subject Matter and related information, and applying analytical and other appropriate procedures.

Our procedures included:

- Conducting interviews with relevant personnel to obtain an understanding of the process for collecting, collating, and reporting the Subject Matter;
- Undertaking analytical review, reperforming select calculations and comparing, on a limited sample basis, to underlying source information to support completeness and accuracy of the Subject Matter; and
- Reviewing the presentation and disclosure of the Subject Matter in the Report.

We also performed such other procedures as we considered necessary in the circumstances.

Inherent limitations

Non-financial information, such as the Subject Matter, is subject to more inherent limitations than financial information, given the more qualitative characteristics of the Subject Matter and the methods used for determining such information. The absence of a significant body of established practice on which to draw allows for the selection of different but acceptable evaluation techniques which can result in materially different evaluation and can impact comparability between entities and over time.

The GHG quantification process is subject to scientific uncertainty, which arises because of incomplete scientific knowledge about the measurement of GHGs. Additionally, GHG procedures are subject to estimation (or measurement) uncertainty resulting from the measurement and calculation processes used to quantify emissions within the bounds of existing scientific knowledge.

Conclusion

Based on our procedures and the evidence obtained, nothing has come to our attention that causes us to believe that the Subject Matter for the year ended December 31, 2022, is not prepared, in all material respects, in accordance with the Criteria.

Ernst & Young LLP
Chartered Professional Accountants
Licensed Public Accountants

August 14, 2023
Toronto, Canada
## SCHEDULE

Our limited assurance engagement was performed on the following Subject Matter:

<table>
<thead>
<tr>
<th>subject matter¹</th>
<th>criteria</th>
<th>unit</th>
<th>reported value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope 1 GHG emissions</td>
<td>GHG Protocol</td>
<td>tCO₂e</td>
<td>6,541</td>
</tr>
<tr>
<td>Scope 2 GHG emissions (location-based)²</td>
<td>GHG Protocol</td>
<td>tCO₂e</td>
<td>7,776</td>
</tr>
<tr>
<td>Scope 3 Category 5 GHG emissions: Waste generated in operations</td>
<td>GHG Protocol¹</td>
<td>tCO₂e</td>
<td>6,868</td>
</tr>
<tr>
<td>Product emissions</td>
<td>Internally developed criteria</td>
<td>tCO₂e</td>
<td>111,467</td>
</tr>
<tr>
<td>Logistics emissions</td>
<td>Internally developed criteria</td>
<td>tCO₂e</td>
<td>14,283</td>
</tr>
<tr>
<td>Waste diversion rate³</td>
<td>Internally developed criteria</td>
<td>%</td>
<td>66%</td>
</tr>
<tr>
<td>Percentage of trade titles featured that are written by black, indigenous and people of colour (“BIPOC”) authors</td>
<td>Internally developed criteria</td>
<td>%</td>
<td>26%</td>
</tr>
</tbody>
</table>

¹ Significant contextual information necessary to understand how the data has been compiled has been disclosed within the appendix of the Report.

² Market-based emissions are excluded from the scope of our limited assurance engagement.

³ Reporting boundary includes waste generated by 62 facilities as disclosed in the methodology section of the Report.

⁴ Calculated using the methodologies described in the GHG Protocol Technical Guidance for Calculating Scope 3 Emissions.
Learn more about sustainability at Indigo:
indigo.ca/sustainability